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**STAKEHOLDER ENGAGEMENT DISCLOSURE IN SUSTAINABILITY
REPORTING OF FTSE4GOOD BURSA MALAYSIA CONSTITUENTS: AN
EVALUATION**



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**Thesis Submitted to
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in Partial Fulfilments of the Requirement for the Master of Sciences
(International Accounting)**



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ABSTRACT

This qualitative study was carried out to explore and evaluate the extent of stakeholder engagement disclosure in sustainability reporting of FTSE4Good Bursa Malaysia constituents. This study aims to examine the content of sustainability reports of the constituents based on the outcome of stakeholder engagement process and alignment between the reporting disclosures with reporting guidelines developed by GRI G4. This study was conducted using content analysis by employing thematic analysis. The data was collected from the sustainability report of FTSE4Good Bursa Malaysia constituents' that are publicly available on their website. The evaluation of the disclosure was made against stakeholder theory, integrated stakeholder engagement index and stakeholder engagement model by AA1 000. The findings indicate that the constituents have identified their key stakeholders and used various methods in engaging with the stakeholders. However, the level of disclosure and reporting guidelines as for many of the constituents' engagement level is merely in consult and collaborate level of engagement. It shows the constituents may be merely reporting on the engagement with the stakeholders without substantively consider or take into account the stakeholders' views and opinions. It is recommended for future studies to employ other methods such as interview and observation for data gathering. Future studies are also suggested to explore and assess the extent of stakeholder engagement and its disclosure in other contexts including the non-profit organizations.

Keywords: stakeholder engagement, sustainability reporting, stakeholder theory

ABSTRAK

Kajian kualitatif ini dijalankan untuk meneroka dan menilai tahap pendedahan penglibatan pihak berkepentingan dalam laporan kemapanan konstituen FTSE4Good Bursa Malaysia. Kajian ini bertujuan untuk mengkaji isi kandungan laporan kemapanan konstituen berdasarkan hasil penglibatan pihak berkepentingan dan keselarian diantara pendedahan laporan dengan garis panduan laporan yang disediakan oleh GRI G4. Kajian ini dijalankan menggunakan kaedah analisis kandungan dan analisis tematik. Data dikumpul dan dianalisis berdasarkan laporan kemapanan konstituen FTSE4Good Bursa Malaysia yang tersedia secara awam di laman web mereka. Penilaian pendedahan dibuat berdasarkan teori pemegang berkepentingan, gabungan indeks penglibatan pihak berkepentingan dan model interaksi pihak berkepentingan AA1000. Penemuan menunjukkan bahawa konstituen mengenal pasti pemegang kepentingan utama mereka dan menggunakan pelbagai kaedah untuk terlibat dengan pihak berkepentingan tersebut. Waiau bagaimanapun, konstituen hanya terlibat dengan pihak berkepentingan dalam perundingan dan jalinan kerjasama. Ini menunjukkan konstituen mungkin hanya melaporkan tentang penglibatan dengan pihak berkepentingan tanpa mempertimbangkan atau mengambil kira pandangan dan pendapat pihak-pihak berkepentingan. Adalah dicadangkan untuk kajian masa depan menggunakan kaedah lain seperti temu bual dan pemerhatian untuk pengumpulan data. Kajian masa depan juga dicadangkan untuk meneroka dan menilai sejauh mana penglibatan pihak berkepentingan dan pendedahannya dalam konteks lain termasuk organisasi bukan keuntungan.

Kata kunci: penglibatan pihak berkepentingan, laporan kemapanan, teori pihak berkepentingan

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May Allah Bless Us, Insya 'Allah...

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LIST OF ABBREVIATIONS

AGM	Annual General Meeting
CDP	Carbon Disclosure Project
CSR	Corporate Social Responsibility
EGM	Ending General Meeting
IR	Integrated Report
ISEA	Institute of Social and Ethical Accountability
IT	Information and Technology
GRI	Global Reporting Initiative
MNCs	Multinational Companies
NGOs	Non-Governmental Organisations
NPOs	Non-Profit Organizations
PLCs	Public Listed Companies
REIT	Real Estate and Investment Trust
SEAAR	Social and Ethical Accounting, Auditing, and Reporting
SR	Standalone Report
SMEs	Small and Medium Enterprises
UK	United Kingdom

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter presents the main element of this study. It starts with the discussions on the background of the study, in which consist of the overview of stakeholder engagement and adoption of sustainability reporting in Malaysia. Then, followed by problem statement, research questions, research objectives, significant of study and organization of the thesis at the end of this chapter.

1.2 Background of Study

Stakeholder engagement involves several processes from identification of relevant stakeholders, carry out the engagement activities for understanding and respond to the stakeholder concerns, perceptions, and needs, until consultation with stakeholders for sustainability report material planning purpose. According to Kaur and Lodhia (2014), these processes are relevant for prediction of future sustainability issues through stakeholders reasonable expectations and interest. However, the engagement motives depend on the organizations' intention itself. Organizations may engage with stakeholders as part of its corporate social responsibility (CSR) (Sawandi, 2016). It has been argued stakeholders within organizations require greater accountability than ever before (Kaur & Lodhia, 2014). It does mean stakeholder engagements have been carried out to show that the organizations have fulfilled the responsibility towards stakeholders, for example, through giving back to the society.

Engagement with stakeholders can assist the organizations in decision-making process especially in preparing the sustainability reporting (Bellantuono, Pontrandolfo, & Scozzi, 2016). According to Brydle and Urdangarin (2017), stakeholders expectation and interest received from the engagement activities have been utilised by organizations to decide the relevant issues and concerns that matter most to stakeholders. The involvement of stakeholders in sustainability planning and development is crucial in producing the sustainability report with relevant information that able to influence the stakeholders' perceptions and enhance the stakeholder trusts (Aldaz, Alvarez, & Calvo, 2015). Therefore, it is important for organizations to engage with stakeholders and reporting the engagement process transparently in the sustainability report.

Moreover, scholars argued the sustainability reporting as an important tool for organizations in reacting to stakeholder needs with transparent manner (Hahn & Kühnen, 2013). Other than that, it also uses by organizations for reporting the corporate policies, financial performance, sustainability agenda, and impact of business operations towards economic, environmental and social. Sustainability reporting has become a conventional business practice due to increasing number of organizations worldwide (Kolk, 2010) that address the sustainability issues and concerns raise through stakeholder engagement. Bursa Malaysia had encouraged the public listed companies (PLCs) to clearly state the relationship between stakeholders and sustainability issues in narrative form rather than merely reporting on social efforts that seems no link with business operations (BlackSun PLC, 2017; KPMG, 2016).

Besides that, FTSE4Good Bursa Malaysia Index was introduced to motivate PLCs for supporting the environmental and economic transition, to increase the profile through exposure with ESG (environmental, social and governance) practices, and to encourage for best practice disclosure (Bursa Malaysia, 2018). The selected constituent for FTSE4Good Bursa Malaysia Index needs to meet a variety of economic, social and governance (ESG) criteria that are consistent with the global disclosure frameworks such as the Global Reporting Initiative (GRI) and Carbon Disclosure Project (CDP). Furthermore, the constituents of this Index expected to produce high-quality data and information (Bursa Malaysia, 2018).

Meanwhile, the latest GRI reporting guidelines version G4 amended in 2014 introduces the stakeholder engagement disclosure standard that emphasizes stakeholder inclusiveness principles which require organizations to engage with their stakeholders. GRI reporting guideline also provides clear and comprehensive benchmarks in sustainability report disclosure. In 2015, AA1000 Stakeholder Engagement Standard introduced the latest version of stakeholder engagement framework that assists the organizations in identifying the extent of stakeholder engagement. This guideline is comprehensive in determining the extent and quality of stakeholder engagement through providing guidelines from stakeholder identification process until the reporting procedures. It also highlights the outcome of stakeholder engagement are reporting in sustainability reporting as the last phase in overall stakeholder engagement process (AccountAbility, 2015).

1.3 Problem Statement

The requirement for accountability and transparency from the organizations has derived the importance of stakeholder engagement and stakeholder management within private or public sectors (Friedman & Miles, 2006; Gray, 2002; Owen, Swift, Humphrey, & Bowerman, 2000). One of the main issues of stakeholder engagement is to determine whether the content of sustainability reports of the firms is based on the outcome of stakeholder engagement processes (Lingenfelder & Thomas, 2011; Manetti, 2011). Engagement with stakeholders assist the organizations to respond to the stakeholder concerns, needs, and sustainability issues through receiving collective of feedback from the stakeholders via organizational activities. Henceforth, the outcome from engagement with stakeholders could determine the extent of stakeholder engagement disclosure in sustainability reporting as conducted by a few researchers such as Belal (2002), Cumming (2001), Kaur and Lodhia (2014), and Midin, Joseph, and Mohamed (2017).

However, prior researchers found that organizations merely use stakeholder engagement to manage the legitimacy threat (Hess, 2008) and neglected the importance of stakeholder engagement within sustainability reporting practices (Van Huijstee & Glasbergen, 2008). Further studies found the organizations merely consult with the stakeholders but rarely involve stakeholders opinions in the decision-making process for sustainability reporting development (Kaur & Lodhia, 2014; Manetti, 2011; Moratis & Brandt, 2017; Perrini, 2006). Thus, reflect poor disclosure (ACCA, 2008; Midin et al., 2017) and difficult to define the relevant issues raised from stakeholder engagement (Manetti, 2011). The findings of the previous studies show that the outcome of engagement process with stakeholder are still an issue that

concerns many researchers (Greco, Sciulli, & D'Onza, 2015; Herremans, Nazari, & Mahmoudian, 2016; Kaur & Lodhia, 2014; Lingenfelder & Thomas, 2011; Manetti, 2011; Midin et al., 2017; Moratis & Brandt, 2017).

Even though the adoption, extent, and quality of sustainability reporting have long been a central theme in contemporary studies (Hahn & Kühnen, 2013), stakeholder engagement disclosure in sustainability reporting is still limited in the academic literature (Kolk, 2010; Lozano & Huisingh, 2011). This topic has been extensively discussed in developed countries (Belal, 2002; Bellantuono et al., 2016; Cumming, 2001) but very few studies conducted in developing countries (Lingenfelder & Thomas, 2011). While there are few studies conducted on the stakeholder engagement disclosure in Malaysia, these studies did not operationalise the stakeholder engagement model to evaluate the extent of stakeholder engagement disclosure. The researchers merely use indices to evaluate the extent of stakeholder engagement disclosure.

Kaur and Lodhia (2014) argue that stakeholder engagement in the entire process of sustainability reporting development is important because stakeholder engagement is a medium to align the interest of stakeholders and organizations other than to clarify material content for sustainability reporting. Based on this argument, the extent of stakeholder engagement can be determined through engagement methods used while the appropriate methods used relate with the salient of stakeholders within the organizations. Therefore, Herremans, Nazari, and Mahmoudian (2016) suggest for organizations to define the stakeholder characteristics and ensure the appropriate methods of engagement used. Meanwhile, another recent study conducted by

Bellantuono, Pontrandolfo, and Scozzi (2016) suggest for future studies to analysis the stakeholder engagement disclosure using an appropriate approach or models to capture stakeholder views in sustainability reporting.

Other than reporting guidelines, the emergence of sustainability indices such as FTSE4Good contributes to increasing the adoption of sustainability reporting worldwide (Bachoo, Tan, & Wilson, 2013). However, the preparation of the sustainability reporting by PLCs in developing countries has been questioned due to the lack of disclosure quality (Vaidehi Shah, 2016). In line with issues discussed above, this research attempts to evaluate the extent of stakeholder engagement disclosure in sustainability reporting for FTSE4Good Bursa Malaysia Index. One of the key listing requirement of the Index is the publication of publicly available documents that are in line with leading global disclosure frameworks such as GRI reporting guidelines and CDP (Bursa Malaysia, 2018). Thus, it is expected that the constituents of this index provide high-quality data that reflect the outcome of stakeholder engagement process (Bursa Malaysia, 2018).

Different from prior studies, this research employs a more comprehensive framework to explore, evaluate, and thoroughly examine the extent of stakeholder engagement disclosure in the sustainability report of the FTSE4Good Bursa Malaysia constituents. The research framework consists of stakeholder theory, stakeholder engagement index, and stakeholder engagement model. This research evaluates stakeholder engagement disclosure accordingly from identification of stakeholders and appropriate methods used for engagement as researcher emphasize this is considered as the

appropriate phase to determine the extent of stakeholder engagement disclosure in sustainability reporting.

1.4 Research Questions

Based on the deliberation in Section 1.2 and 1.3, this research aims to answer the central question concerned with the extent of stakeholder engagement disclosure in sustainability reporting of FTSE4Good Bursa Malaysia constituents. There are three research questions that this study attempts to address:

1. Who are the key stakeholders for FTSE4Good Bursa Malaysia constituents?
2. How do the FTSE4Good Bursa Malaysia constituents engage with their key stakeholders?
3. To what extent the stakeholders have been engaged by the FTSE4Good Bursa Malaysia constituents?

1.5 Research Objectives

This research is concerned with the extent of stakeholder engagement disclosure in sustainability reporting of FTSE4Good Bursa Malaysia constituents. The objectives of the study are:

1. To identify the key stakeholders with whom FTSE4Good Bursa Malaysia constituents engage.

2. To ascertain the methods used by FTSE4Good Bursa Malaysia constituents to engage with their key stakeholders.
3. To evaluate the extent of stakeholder engagement of FTSE4Good Bursa Malaysia constituents.

1.6 Research Scope and Limitation

This research covers the PLCs in FTSE4Good Bursa Malaysia Index from 2014-2017. FTSE4Good Bursa Malaysia Index was introduced as part of the effort to encourage Malaysian companies to embrace for good corporate governance and social responsibilities practices that are aligned with Environment, Social, and Governance (ESG) model and global reporting guidelines such as GRI and CDP. The corporate transparency in this area is supervised by the independent committee and reviewed in June and December against international benchmarks developed between Bursa Malaysia and FTSE Russel (Bernama, 2015).

This research has no without limitation. First, as the study relies on secondary data from publicly available documents, there is a possibility of non-availability of documents due to voluntary adoption and non-homogenous reporting pattern in Malaysia. Another limitation is due to the application of content analysis (Gray, Kouhy, & Lavers, 1995; Milne & Adler, 1999; Unerman, 2000) that is subjectivity in a coding process (Deegan & Soltys, 2007; Frost & Wilmshurst, 2000). However, the valid inferences can be drawn from content analysis through achieving the reliability of data and instruments used (Milne & Adler, 1999).

1.7 Significance of Study

This study aims to contribute to the academic literature in the area of stakeholder engagement and sustainability reporting. This is because of very limited empirical evidence available in terms of operationalizing the stakeholder engagement model and its reporting in the sustainability report. This study adapts stakeholder theory, stakeholder engagement index, and stakeholder engagement model to evaluate the extent of stakeholder engagement disclosure in sustainability reporting. Hence, the findings from this study may provide additional insights on the extent of stakeholder engagement disclosure among PLCs in Malaysia context.

Most of the prior studies analyzed stakeholder engagement in the context of the public sector (e.g. local councils) and non-profit organizations (NGOs) that widely discussed in developed countries. The recent study in Malaysia has also focused on the local council (Midin et al., 2017). However, there is no studies have been conducted on PLCs in Malaysia. Thus, this research aims to examine and evaluate the stakeholder engagement disclosure of Malaysian PLCs by operationalizing the stakeholder theory, stakeholder engagement index, and the latest model of stakeholder engagement developed by AA1000.

Additionally, this study used current data that were drawn from latest sustainability reporting issued by the Malaysian PLCs. Since the data was considered latest, it may provide an overview of current stakeholder engagement practices in sustainability reporting. Hence, the findings of this study may be relevant and may encourage private and public sector entities to disclose their stakeholder engagement in a more substantive and comprehensive way. The sample is also unique because this is the first

batch of sustainability report issues by FSTE4Good Bursa Malaysia constituents that were evaluated. Finally, the findings of this study may be also useful for regulators and professional bodies to improve policies and guidelines of sustainability reporting in order to ensure the companies meet the required standard.

1.8 Organization of the Thesis

This section overview the overall chapter to provide an initial understanding of how each chapter integrated and connected to achieve the research objectives. This research is separated into five chapters such as follows:

Chapter 1 set the research agenda to be examined in this study via background of the study. A problem statement has formulated to address the research questions and research objectives. In addition, research scopes, limitations, and expected contributions have been explained in this chapter.

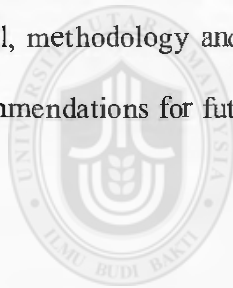
Chapter 2 provides in-depth discussions on the stakeholder theory, stakeholder engagement approach that derived from the stakeholder theory, sustainability reporting concept from the emergence of sustainable development until the current state of sustainability reporting, and the relation between stakeholder engagement and sustainability reporting including several reporting guidelines. This chapter also discusses the previous studies of stakeholder engagement and sustainability reporting from developed and developing countries.

Chapter 3 explain the research framework that has been developed from the prior literature review. Besides that, companies to be investigated are presented in this

section. In addition, the research method to be used have been described in this section via research design, data collection, and data analysis.

Chapter 4 presents the findings according to three research questions develop previously. The results discuss starting with the evidence of stakeholder engagement disclosure in sustainability reporting for selected constituent followed by discussions for the key stakeholders, methods used for stakeholder engagement, and the extent of stakeholder engagement on the basis of several models and theory adopted in this research.

Chapter 5 discuss major findings in conclusions and contributions including theoretical, methodology and policy contributions. Additionally, research limitations and recommendations for future studies have been presented at the end of this section.



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CHAPTER2

LITERATURE REVIEW

2.1. Introduction

This section discusses prior studies to identify gaps in the existing literature and develop the research frameworks through discussion on the different approaches of a theoretical framework.

2.2. Stakeholder Theory

This research employs stakeholder theory to provide a theoretical lens for explaining stakeholder engagement practices. Stakeholder theory approach by R. Edward Freeman which introduced during 1984 emphasizes the importance of the strategic dimension of stakeholder relationships with organizations. In line with the development of stakeholder theory, the importance of this theory has been justified through managerial perspectives (Donaldson & Preston, 1995). The researcher developed the first interactive relations model. This model suggests that initially organizations must recognize their stakeholders and group them either into a primary or secondary group (Manetti, 2011; Mitchell, Agle, & Wood, 1997).

The identification of stakeholder involves reporting the stakeholder definition, classification of stakeholders according to the salient group, explanation on engagement with stakeholders, and disclosure on the level of stakeholders perceive interest with organizations (ACCA, 2008). In addition, stakeholders are recognized based on ownership of the firm or capital provider, actors or acted upon, exist on

voluntary or non-voluntary relationship with organizations, resource providers or dependents on the organizations resources, as legal principles, workers or plaintiff, and influencers or risk takers (Mitchell et al., 1997).

R. Edward Freeman defines stakeholder as any individual or group who affect or is affected by the corporate objective achievement (Gao & Zhang, 2006) while Savage and Blair (1991) define stakeholder as individuals or groups of people that able to influence or interest with organisations action. Stakeholders have influence and power to determine the legitimacy of business through their opinions, supports, and attitudes (Bellantuono et al., 2016; Graebuckens & Hinton, 1998), for example, restrict the resources and license to operate. According to GRI, a stakeholder is an individuals or entities that affected by organizations activities, product and services offered, and whose actions can reasonably be expected to affect the organizations' ability to implement its strategies and achieve their objectives (2014a, p. 9).

Graebuckens and Hinton (1998) state employees, regulators, consumers, communities and future generations are the key stakeholders. Other researchers contributing to the literature through adding the list of stakeholder including customers, investors, employees, managers, governments, competitors, media, suppliers, business partners, and natural environment (Bellantuono et al., 2016). Meanwhile, Roberts, Roberts, and Robin (1992) add stockholders, creditors, and public interest as key principle stakeholders. However, the relevant or irrelevant of those stakeholders dependent on the organizations itself (Clarkson, 1995) whereby not all stakeholders are salient and have an important relationship with organizations.

According to Clarkson (1995), a primary stakeholder group has a high level of interdependence with organizations in which the organizations cannot survive if there is no continuous support or participation from stakeholders. The primary stakeholder group consists of shareholders, investors, employees, consumers, suppliers, communities, regulators and the governments. The organizations' performance will decline if there is no support from this group. Therefore, it is crucial for the organizations to recognize, manage, and maintain their relationship with the primary stakeholder group as the success and failures of organizations dependent on this group.

Meanwhile, Waddock (2001) classified communities and governments as the secondary stakeholder group. This group is believed to be able to influence or influenced by the organizations. However, they do not directly engage with the business operation and does not determine the organizations' survival (Clarkson, 1995). Other than that, media, trade associations, environmental organisations, potential lobbies, informal networks, and firm's competitors (Henriques & Sadorsky, 1999) are part of the secondary stakeholder group. Clarkson (1995) argue that the secondary stakeholder group has authority and power to influence the public perceptions through supportive or protest action as those stakeholders can reunite to form the most powerful influence. For example, the collaboration of NGOs can destroy improper corporate behavior through a campaign provided.

Other than primary and secondary groups, stakeholders also can be categorised into internal or external groups. The internal stakeholder group is individual or group of people who have more interest in financial and economic activities, concern with profit, efficiency and financial return of organizations (Florea & Florea, 2013). For

example, shareholders, employees, owners, managers, and the board of the directors (Matuleviciene & Stravinskiene, 2015). The external stakeholder group is individual or group of people who interest in value, quality, satisfaction, long-term relationship, ethical, moral action, and dependent on the organizations' action and decision (Florea & Florea, 2013). The example of external stakeholder group are customers, suppliers, business partners, communities, public, competitors, the governments, interest groups, vendors, trade associations, regulators, institutions, analysts and investors (Matuleviciene & Stravinskiene, 2015).

There are various types of stakeholders attribute. Freeman (1984) defines stakeholder attributes as the interest (stake) and power. In organizations, stakes are an owner (equity stake), a customer (market stake), and government (political stake) whereas power classified as voting, economic, and political dimension. The owner has the voting power to support managerial operations and decision making through its voting rights. Usually, financial stakeholder demands environmental and social information to ensure the organizations have enough economic resources (Barringer & Harrison, 2000). Customers and suppliers who act as economic influencer have economic power. Governments and regulators that have the power to pass legislation, writing new rule and policy, and taking a legal action have the political influencer.

Mitchell et al. (1997) develop a framework to categories stakeholder attributes including power, legitimacy, and urgency. They argue that the more these attributes owned by stakeholder, the more organizational noticed the stakeholder. However, the more power owned by stakeholder, the more pressure faces by organizations to meet the stakeholder demands (Roberts et al., 1992). The company nowadays is not solely

responsible for their shareholder but also need to fulfil the stakeholder demands and consider for environmental and social performance as part of corporate responsibility (Sawandi, 2016).

AA1000 reporting guidelines highlight several stakeholder attributes. The first attribute refers to dependency that is a group of stakeholder and individual who are directly or indirectly depend on the corporate performance, product and services, activities, and goals achievement. Second, responsibility attribute refers to organizations that have legal, commercial, operation and ethic responsibility. Third, tension attribute refers to the stakeholder group or individual who needs immediate attention from the organizations due to salient issues. Forth, influence attribute is a group of stakeholder or individual who can give impact to the organizations or operational decision making. The last attribute refers to diverse that classify as stakeholder group or individual who has different views that can help organizations to shape a new understanding of the situation occurred (AccountAbility, 2015).


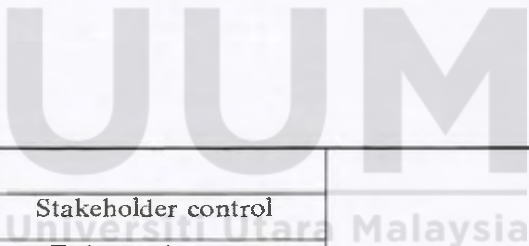
The relationship of stakeholders with organizations are often complicated, confusing, and contested (Gao & Zhang, 2006). Hence, organizations must build the meaningful relationship with stakeholders as the most of the activities, policies, and strategies embedded through the relationship with stakeholders. Organizations may face challenges to differentiate between the 'stake' and 'interest' for each stakeholder because these group of stakeholder has no similar characteristics. Gao and Zhang (2006) suggest to identify, assess and balance between the 'stake' and 'interest' during engagement process in where good relationship able to form and maintain through well-managed the relationship between stakeholders and organizations.

The level of stakeholder engagement can be used to determine the relationship between stakeholders and organizations. Kaur and Lodhia (2014) argue that the extent of stakeholder involvement affect the quality of the stakeholder engagement outcome. Various theories and model have been developed in prior studies to investigate the extent of stakeholder engagement due to assumptions about the growth of stakeholder engagement in organisations and academic literature. In 1969, Ladder of Citizen Participation was introduced by Sherry R Arnstein for analysing the extent of stakeholder engagement. The model consists of eight rungs that are manipulation, therapy, informing, consulting, placation, partnership, delegated power, and citizenship control (Cumming, 2001; Kaur & Lodhia, 2014) as shown in Figure 2.2-1.



Figure 2.2-1
Arnsntein 's Ladder of Participation
Source: Kaur and Lodhia (2014)

As can be seen from Figure 2.2-1, manipulation and therapy rung is the lowest level of engagement. In these rung, no stakeholder involvement in planning or corporate activities and power holders control the stakeholders' decision. Informing, consulting and placation rungs involve one-way communication and consider as the first steps of stakeholder involvement. Stakeholders are able to voice out their opinion but still, power holders control the decision. In partnership rung, stakeholders have authority to discuss and consult with power holders, henceforth, balancing the decision making between the stakeholders and organizations. Besides that, in delegated power and citizenship control rungs, stakeholders have full authority to make decision by their own capability. Further, Friedman and Miles (2006) extend the model through introduce explaining, negotiation, involvement, and collaboration rung as shown in Figure 2.2-2.

Stakeholder control
Delegated power
Partnership
Collaboration
Involvement
Negotiation
Consultation
Placation
Explaining
Informing
Therapy
Manipulation

Figure 2.2-2
Friedman and Miles Ladder of Stakeholder Management and Engagement
 Source : Friedman & Miles (2006, p. 161). Stakeholders: Theory and Practice. Oxford University Press

Different from Arnstein model, no participation is takes place in informing rung and stakeholders are merely be informed about the organizations' decisions. Here, organizations use magazines, reports, publications, briefing sessions, newsletters, and leaflets to communicate with stakeholders in manipulation, therapy, and informing rung. These rungs involve one-way communication from organizations to stakeholders. Therefore, it is consider as a weak form of engagement because organizations are assumed to define for themselves the information rather than to respond to the stakeholders' concerns and issues (Burchell & Cook, 2006).

In degrees of tokenism, explaining rung indicates the power holders may attempt to change the stakeholder expectations through educating and inform stakeholders. The organizations may use workshops as a technique of engagement. In placation and consultation rungs, stakeholders have opportunities to voice out via focus groups, interviews, surveys, tasks and advisory panels conducted by the organizations. However, the opinion is not guaranteed will be considered. Negotiation rung involves multiple-way communications, allows stakeholders to influence the decisions. Stakeholders use bargaining technique to form threat that may cause organizations loss support from stakeholders when organizations do not consider their opinion and concerns.

For degrees of involvement, involvement and collaboration rungs indicate organizations may willingly engage with stakeholders over mutual issues through constructive dialogue, special interest groups, strategic alliances and specific project. Stakeholders have the power to influence the decisions but their opinion is not guaranteed is consider as a whole. Finally, the highest level of engagement emphasizes

on empowering stakeholders on partnership, delegated power and stakeholder control rung. These rungs indicate the organizations delegated power to stakeholders in the decision-making process to overcome or reduce top management influence. For example, the engagement occurs through a joint venture, board representation, and community projects.

2.2.1. Stakeholder Engagement

As discussed in Section 2.2, stakeholder engagement is a part of stakeholder theory. Stakeholder engagement is an organization practice to engage with stakeholders through a specific organizational activity (Greenwood, 2007, p. 318). Stakeholder engagement can be moral or immoral practices. Organizations that enables cooperation and build a mutual-benefit relationship with stakeholders is classified as doing moral practices whereas organizations that mistreat stakeholder engagement has reflected doing immoral practices (Greenwood, 2007). Organizations may engage with stakeholders as part of organizational learning, to meet political and social needs and expectations, to access the capital, and to be accepted in the social investment markets (Rogers & Wright, 1998).

Several scholars define stakeholder engagement as forms of managerial control (Owen et al., 2000), the acquitted accountability and responsibility of organizations toward stakeholders (Gray, 2002), and the process of extract stakeholders opinion with effective manner (Friedman & Miles, 2006, p. 152). These definitions reflect stakeholder engagement as stakeholder management in where activities provided by organizations used merely to obtain opinion and feedback from stakeholders. The more recent definition provided by international reporting guideline shows stakeholder

engagement as one of the mechanisms used by organizations in decision-making process through considering stakeholder views to achieve corporate objectives (AccountAbility, 2015, p. 20).

Other than that, scholars define stakeholder engagement as a process to identify the relevant issues (Cumming, 2001). Mutual relationship assists the organizations to solve the raises concerns and issues through engagement activities (Manetti, 2011) while appropriate feedback to the stakeholders' concerns would help to pursue sustainability agenda (Amran & Ooi, 2014). Moreover, stakeholder engagement is carried out as part of organizations accountability to increase trust and improve the communication process of organizations regarding their activities (Burchell & Cook, 2006).

Stakeholder engagement involves several phases include an identification of a key group of stakeholder, a consultation process with the key stakeholder group, and selection of appropriate methods to engage with the stakeholders (Gao & Zhang, 2006). Additionally, AccountAbility (2015) highlights the engagement process with stakeholders involves strategic thinking (stakeholder identification, objectives of engagement, concerns and issues prioritization), planning of engagement activities (reviewing, assessment, and identification of resources), methods and approaches used for engagement, build and maintaining relationship through developing internal skills to engage effectively with stakeholders, and reviewing process of engagement output that consider to be use in reporting purpose.

After the identification of stakeholders, the next phase of stakeholder engagement is to examine the stakeholder engagement methods. Methods of engagement used by organizations determine the strategic direction of stakeholders (Morsing & Schultz, 2006). Over the time, organizations interest to respond with stakeholders concern for sustainability issues and accountability has increased. Hence, methods of engagement and dialogue with stakeholders experience changes from one-way communication to two-way or multiple-way communications (Grafebuckens & Hinton, 1998). The key principle of stakeholder engagement methods includes focus group, workshop, seminar, public meeting, questionnaire, telephone interview, face to face interview, media release, magazine, internet bulletin board, round-table discussion, community forum, conference, briefing session, an advisory panel, and survey (Belal, 2002; Cumming, 2001; Lingenfelder & Thomas, 2011). Belal (2002) emphasizes demographic details, availability of resources and stakeholder involvement affect the method chosen by organizations to engage with stakeholders.

Misleading techniques may harm the effectiveness of stakeholder engagement process. Therefore, organizations must consider adequate capital and resources before select appropriate methods of engagement because a different type of stakeholders require a different type of engagement methods. Burchell and Cook (2006) suggest focus group and meeting with employees must be conducted by independent party rather than internal management to allow them freely express their opinions. Additionally, Beck, Dumay, and Frost (2010) recommended media techniques such as social media and television channel to broaden the engagement scope and minimize the cost of the advertisement.

Previous studies show the degree of involvement is important in the stakeholder engagement. It is found organizations use advising, monitoring, and information gathering to engage with stakeholders (Manetti, 2011). This indicates that stakeholders had an advisory role by providing information and opinion related to the relevant data and issues for the sustainability report. Consultation via survey is the most common technique used by the organizations. Gao and Zhang (2006) found that by using this technique the stakeholders are not participating in defining the issues or developing survey questions, rather, organizations merely applied this technique 'to add colourful histogram' in sustainability reporting (Owen, Swift, & Hunt, 2001). Hence, this technique may negate the effectiveness of two-way communications between the organizations and stakeholders.

Besides that, the identification and selection of stakeholders are vital to address concerns and issues raised through stakeholder engagement activities and maximize the engagement outcomes through the selection of an appropriate engagement method (Bellantuono et al., 2016). This is because organizations deal with different types of stakeholders. Scholars argue that such identification can help organizations to improve effectiveness and avoids problems in future (Mitchell et al., 1997), that is risks of damaging reputation and possibly will increase the social capital (Burchell & Cook, 2006). Therefore, it is vital for organizations to formulate clear and specific goals for stakeholder activities and engagement. These activities and engagement depend on the types of stakeholders because stakeholder opinion is required as part of a negotiation process that can improve the engagement process and develop trust toward organizations (Bellantuono et al., 2016).

Based on the literature review, stakeholder identification and selection are vital to providing an overview on stakeholder engagement process from recognizing the key stakeholders, address stakeholders' issues and concerns, respond to the stakeholders' needs up to reporting on the engagement outcome. Stakeholders may support or harm the organizations and have different characteristics that lead to the different identification of issues. The basis for stakeholder identification and selection determine the phase of identification proper method, approach, and technique to address the concerns and issues raised.

As discussed earlier, stakeholder engagement can be moral or immoral practices. Stakeholders' opinions may create positive or negative influence on organizations decision. Otherwise, organizations may misuse the engagement techniques for their own benefits. For instance, organizations that merely use newsletters and corporate reports to communicate with stakeholders not welcome stakeholders' opinion and feedback. Rather, organizations attempt to monopoly and manipulate the stakeholders' voice and perceptions. Failure to identify the appropriate method or approach may lead to the provision of unreliable and bias information in sustainability reporting and wrong feedback toward stakeholders.

2.3. Sustainability Reporting

Sustainability is a broad concept. Scholars define it differently according to the context and there is an on-going argument of what constitutes sustainability. Some researchers use sustainability term with different phrase such as sustainable development, sustainable growth, sustainable marketing, sustainable communities, and sustainable societies (Vos, 2007). In 1987, the Bruntland Report was introduced

sustainable development as the capability of companies to meet the present generation needs without compromise the future generation needs (Holden, Linnerud, & Banister, 2014). In the first place, the essence and concept of sustainable development merely refer to the environmental dimension. In line with the development of sustainability in academic literature, the concept comprises three pillars dimensions namely, economic, environmental and social.

GRI triggers for voluntary standard-setting in 1999 that introduce the sustainability reports (Kolk, 2010). Over the time, sustainability reporting gain wide attention in the business world and recognize as a crucial factor for corporate sustainability (Lozano, 2006) that encourage corporate accountability and transparency (Adams & Whelan, 2009). This is because the organizations face continuous demand from stakeholders to disclose about the economic, social, and environmental dimensions transparently in sustainability reporting (Herremans et al., 2016). Besides the emergence of reporting guidelines, the increased demand over sustainability reporting was due to the extensive sustainability rating indices such as the FTSE4Good Index and the Dow Jones Sustainability Index (Bachoo et al., 2013) and exponential development of investment funds principle (D'Antonio, Johnsen, & Hutton, 2000).

The sustainability report is a medium to evaluate the performance of organizations against three sustainability dimensions and to communicate the results to stakeholders (Lozano & Huisinigh, 2011). Sustainability reporting is a process that assists organizations in setting objectives, measure performance, managing change, and use for communicate the sustainability issues (economic, environmental, social, and

governance) in business operations either as reflecting the good or the bad impacts towards internal and external stakeholder (Global Reporting Initiative, 2014b, p. 85).

While it is employed to communicate with stakeholders, sustainability reporting also used to change the corporate social performance (Hess, 2008) and influence the stakeholders' perception that has the power to control the resources (Herremans et al., 2016). Even though many large corporations rely on sustainability reporting, it remains as a voluntary report that helps the companies present their sustainability performance to the general public and stakeholders for them to make judgements (Glass, 2012). The prior researchers have discussed a voluntary nature of sustainability report. Besides that, companies around the world including in Malaysia have been encouraged to be more transparent towards stakeholders by disclosing their business impacts to economic, environmental, and social.

The review of the literature also indicates that the previous studies focus on the factors that determine the adoption, extent, and quality of sustainability reporting. These studies examine the association between factors affecting the adoption of sustainability reporting relationship with the organizational decision to engage with reporting as a medium of communication (Hahn & Kühnen, 2013). This study also examines the extent and the quality of reporting disclosure in the sustainability reports. The extent is measure via quantity or themes whereas the quality is measured based on the information ranging from 'soft' information that is not easily verified such as the strategic to 'hard' information that requires to being conveyed.

Prior studies in developed countries show the various findings of sustainability report adoption in PLCs and local council. For example, a study on PLCs in Australia used various media to report the sustainability issues such as annual reports, standalone reports, and websites. Frost, Jones, Loftus, and Laan (2005) documented that standalone reports and websites provide more extensive information about environmental disclosure compare to the annual reports. However, the analysis using GRI reporting guidelines resulting the extent of sustainability disclosure in sustainability reports of Australian PLCs are low.

Another study examines factors affecting sustainability disclosure in sustainability reporting in Australian local council. This qualitative study employed the accountability theory and GRI reporting guidelines to examine the information conveyed to stakeholders. Semi-structured interviews with senior managers, observation, and document analysis were conducted to collect the empirical data. The result indicates that GRI has a little influence on how the local council accounts for their social and environmental activities (Sciulli, 2011).

Meanwhile, Dragomir (2010) examine the environmental disclosure relationship with environmental performance and financial performance of European 60 listed companies. The researcher used GRI reporting guidelines to measure the environmental disclosure in sustainability reports in the year 2008. The result of the content analysis shows there is a significant relationship between environmental disclosure and environmental performance but no relationship found between environmental disclosure with environmental performance and financial performance. This study also found the organization that contributes to the environmental pollution

tend to disclose more about environmental disclosure perhaps to repairing and preserving their reputation.

In developing countries, there is one study conducted on the influence of the system, attitude, and perception towards a level of sustainability reporting in Sri Lanka (Thoradeniya, Lee, Tan, & Ferreira, 2015). A survey was carried out among the top and middle managers in listed and non-listed companies. The result shows managers in listed companies tend to use sustainability reporting and have the capability to influence and control the sustainability reporting process. In contrast, managers in non-listed companies face challenges to control the process of sustainability reporting. On the other hand, 100 information and technology (IT) companies in India have been evaluated using content analysis techniques and GRI reporting guidelines to analysis the sustainability reports and CSR disclosure. The finding shows merely few companies issued sustainability reports with a high quality of reporting disclosure aligned with the GRI standard requirement (Tewari & Dave, 2012).

In Malaysia, researchers have investigated the factors of internet adoption as reporting medium among 100 PLCs. The finding shows that online reporting disclosure is still low which mostly dominated by environmental-related sector (Amran, 2012). Meanwhile, sustainability reports of PLCs in REITs and property listed companies sectors were explored using quantitative content analysis. 113 sustainability reports comprise of annual reports, CSR reports, and standalone reports were examined by referring to the GRI reporting guidelines, legitimacy, and agency theory. The finding shows the overall reporting is low while these companies focus more on social disclosure rather than environmental disclosures (Zahid & Ghazali, 2015). The result

of regression analysis shows there is a significant relationship between government ownership structure and level of sustainability reporting disclosure as well as types of industries With Variability in sustainability reports (Zahid & Ghazali, 2015).

Other researchers have examined the assurance practices disclosure in sustainability reporting. This study was conducted among ACCA-MeSRA (Malaysian Environmental and Social Reporting Award) participants in 2007 to evaluate the level of participant's awareness on assurance practices in sustainability reports. Content analysis of annual reports and standalone reports, interviews, and questionnaires are among methods used in this research. The result indicates the sustainability disclosure in the annual reports have no assurance statements and the participants have a low-level awareness of assurance practices in sustainability reports due to the absence of the legislation (Sawani, Mohamed Zain, & Darus, 2010). Other study found most of the sustainability reports in Malaysian PLCs are lack of independent reviewed or assured even though there is an increasing number of companies reporting on the sustainability. Content analysis result shows companies selective in reporting their sustainability issues due to the absence of regulatory enforcement and independent monitoring (Janggu, Sawani, Darus, & Zain, 2013).

Based on the review of the literature, organizations worldwide in different sectors and different business location use sustainability reports to inform their progress and achievement on sustainability issues and disclosure in different manners. Sustainability report triggered from the development of PLCs Index and reporting guidelines. Thus, this research prefers PLCs as companies studied and GRI reporting guidelines as a framework to evaluate the sustainability reports. There is also

diversification in reporting the sustainability from the range of information to the variance of indicators disclosed because of voluntary practices and absence of regulatory enforcement. Other than that, organizations may disclose the information related to the stakeholders' demands to reduce or avoid the nature of the risk within the industries. In relation to the previous studies, most of the environmental-related sector issue sustainability reports and disclose about their environmental performance than economic and social performance.

2.3.1. Stakeholder Engagement in Sustainability Reporting

Over the last decades, researchers worldwide explore stakeholder engagement practices in social and ethical accounting, auditing, and reporting (SEAAR). To date, the trend starts focusing on the output process of stakeholder engagement whether the disclosure in sustainability reports genuinely involves the stakeholders' concerns and opinions or merely comes from the organizations initiative. Cumming (2001) has operationalized Amstein's Ladder of Participation to investigate the extent of stakeholder engagement in private sector and NGOs. Twenty-nine (29) semi-structured interviews have been carried out with individual and group of people who involved with SEARR services. It is found the organisations engage with the stakeholders at the rung of informing, consultation, placation, and partnership while the stakeholders merely involved in consultation and partnership rung rather than delegated power and citizen control.

Besides that, a study by Belal (2002) has examined the extent of SEAAR practices in the United Kingdom (UK) companies. 13 standalone social reports in the year 1999 have been evaluated based on the AA1000 reporting guidelines. The finding shows

organizations use SEAAR for managing stakeholders effectively as well as legitimize the business rather than promote the ideal stakeholders' accountability. The researcher suggests for the reforms that enabling stakeholders to participate in the decision-making process as part of accountability.

• Van Huijstee and Glasbergen (2008) evaluate the motivations for stakeholder engagement in multinational companies (MNCs) and NGOs in Europe. Multiple methods used to examine the salient stakeholders that involved in stakeholder management, methods of engagement used, concerns and issues arise, and outcome from the dialogue via interviews, archival data, and websites. This study used stakeholder management and sustainability model. The results found that the engagement of stakeholders and environmental NGOs influence the strategic management while the importance of decision making in MNCs via stakeholder engagement is seemed less salient.

One of the independent analysts examines the state of stakeholder engagement disclosure in sustainability reporting of top 50 companies in Australia. This case study reveals the diversity of disclosure practices whereby finding shows there is low quality of stakeholder engagement disclosure in sustainability reporting (ACCA, 2008). Nevertheless, the researcher conclude low quality of disclosure does not necessarily reflect no engagement take place but voluntary enforcement in reporting guidelines may lead to the poor disclosure of stakeholder engagement in sustainability reporting.

Manetti (2011) adopt stakeholder engagement evaluation model proposed by Cumming (2001). The researcher combines GRI G3 reporting guidelines to explore

the quality of stakeholder engagement for 174 sustainability reports of several developed countries across the various sectors. Content analysis result shows sustainability reporting of major cases apply the stakeholder management approach rather than stakeholder engagement approach. Hence, it is difficult to define the relevant issues in the report because the output produce does not involve communication or the consultation approach with stakeholders.

Lingenfelder & Thomas (2011) explore the content of sustainability reports of 11 PLCs in Johannesburg Securities Exchange Socially Responsible Investment Index. The researcher examines the quality of stakeholder engagement disclosure in sustainability reporting using quantitative method while the qualitative method used to analyse whether the outcome of sustainability reporting comes from engagement process with stakeholders. This exploratory research found the companies are not engaged with stakeholders in sustainability development but merely adhered to the GRI reporting guidelines in order to fulfil the listing requirement.

Kaur and Lodhia (2014) investigate the state and extent of stakeholder engagement of 563 Australia local councils. Content analysis of 23 sustainability reports/state of environmental report/annual report found that the stakeholder engagement is an important component in sustainability reporting development. The result shows the community is the most important stakeholders for material planning in the sustainability report. This study has also operationalized the Friedman and Miles Ladders of Participation (2006) whereby stakeholders engaged with the local council at the rung of informing, consultation and placation. The researchers argue the

stakeholder engagement is vital in the entire sustainability accounting and reporting process, not merely useful for certain part of organizations decision-making process.

Besides Arnstein Ladder of Participation model (1969), other researchers operationalize AA1000 reporting guidelines that amended in 2011. Greco, Sciulli, and D'Onza (2015) investigate the motivations of 11 Italian local councils in preparation of sustainability reports and the influence of stakeholder engagement towards local council decision making process via adoption of sustainability reporting. This research employed several theories including legitimacy, accountability, and new public management theories and the semi-structured interview. The finding aligned with the legitimacy theory whereby the local council used the sustainability reports to inform their activities and performance towards stakeholders. In addition, it is found the stakeholders show less interest with the sustainability report provided by the local council because the report consists of limited input genuinely come from stakeholders opinions even though they engage at the consultation rung. Other than that, stakeholder engagement is found merely use as a legitimate strategy to arrange between the stakeholders' demand and political programs by the local council.

Herremans et al., (2016) used resource dependence and stakeholder theory to investigate the dependencies on different stakeholders, engagement process, and characteristics of sustainability reporting for oil and gas industry in Canada. This study employs multiple sources to gather data such as data archival, observation, and interviews. This qualitative research indicates companies use different engagement processes such as informing, responding and involving to relate to stakeholder perceptions and characteristics while the resource dependencies lead to different

stakeholder relationships. Besides that, Bellantuono et al., (2016) propose the novel approach in Italian small and medium enterprises (SMEs) to assess the stakeholder Views during identification the concerns and issues within sustainability report. However, this approach has some limitations that lead to a suggestion to address the approaches in entire stakeholder engagement context rather than focusing on the materiality analysis.

Another researcher investigates the quality of stakeholder engagement for 55 sustainability report of European firms. This study use content analysis, GRI G4 reporting guidelines, and Friedman and Mile model to evaluate the stakeholder engagement disclosures. The finding shows less than half sustainability report contains organizations feedback disclosure toward stakeholders concerns while stakeholder engagement practices in this organizations are at the placation and consultation rung (Moratis & Brandt, 2017). One of the study in Malaysia by Midin, Joseph, and Mohamed (2017) replicate Kaur and Lodhia (2014) study via modifying the Index to apply on the online disclosure context. This study content analysed 108 Malaysian local council websites to examine the extent of stakeholder engagement disclosure using modified stakeholder engagement index and institutional theory. The results show the extent of stakeholder engagement disclosure in Malaysian local council website is low. In average, only 12 out of 40 items disclose in their websites. However, this study does not operationalize stakeholder engagement model to evaluate the extent of stakeholder participation and merely rely on stakeholder engagement index.

Based on the literature review, stakeholder engagement disclosure in sustainability report indicate the relationship between organizations and stakeholders through

reporting what, who, and how the stakeholders have been engaged, further, reflect the relevancy of information provided within the sustainability report. Stakeholder engagement practices either in private or public sectors have a variation in findings. Organizations may use stakeholder engagement as a tool to manage legitimacy risk or organizations may negate the stakeholders' concerns and manipulate the consultation process with stakeholders.

Stakeholder engagement disclosure in sustainability report has been discussed extensively in developed countries both in the private and public sectors. The researchers in developed countries had analysed the state, extent, and quality of stakeholder engagement disclosure using the stakeholder theory, stakeholder engagement index, and stakeholder engagement model appropriate with their research context. Otherwise, the review of the literature found there are empirical findings of stakeholder engagement disclosure topic has been discussed in developing countries. In Malaysia, the extent of stakeholder engagement disclosure in sustainability reporting merely discussed in the local council context.

The previous studies highlight the PLCs Index is one of the triggered for the sustainability reporting disclosure and stakeholder engagement disclosure in sustainability report closely related with methods used for engagement process. Meanwhile, inappropriate stakeholder engagement techniques may lead to the irrelevance information disclose within sustainability reports that reflect from a low level of disclosure. Therefore, this study motivated to evaluate the extent of stakeholder engagement disclosure in sustainability report of PLCs through adapted stakeholder theory, stakeholder engagement index and stakeholder engagement model

for better identification process of stakeholder engagement disclosure in sustainability reporting.

2.3.2. Stakeholder Engagement Reporting Guidelines

Based on the literature review, there are two reporting guidelines that most common operationalize by researchers in their research that are GRI reporting guidelines and AA1 000 Stakeholder Engagement Standards. According to Lozano and Huisinigh (2011), GRI is a comprehensive and most frequently used as reporting guidelines for the sustainability report. It is effective to measure the sustainability reporting disclosure due to its wide-ranging indicators for economic, social and environmental (Willis, 2003). GRI has been established by independent, non-profit organizations (NPOs) that originated from the Netherlands in 1997 and it is a network-based organisation that provides reporting guidelines for companies either in private or public sectors (Willis, 2003).

The first guidelines published by the GRI during 2000 while the latest version is GRI G4 that was released in 2014. In this research, the GRI reporting guidelines employed to evaluate the stakeholder engagement disclosure in sustainability reporting aligned with the Bursa Malaysia recommendation that encouraged the PLCs to issues sustainability reporting based on the latest version of GRI G4 (Zahid & Ghazali, 2015). Moreover, the Governance and Accountability Institutes claim companies that follow GRI reporting guidelines have produced high quality of disclosure compare to the companies that employed other types of reporting guidelines (Global Reporting Initiative, 2017). Hence, this study relies on the GRI G4 to examine and evaluate who and how the stakeholder engagement has been disclosed in sustainability reporting.

Table 2.3.2-1 show four criteria of stakeholder engagement disclosure in sustainability report according to the GRI G4 reporting guidelines.

Table 2.3.2-1

GRI-G4 Stakeholder Engagement Standards Disclosure

GRI Standards	Implementation Guidelines
Disclosure	
G4-24	Provide the list of stakeholders groups engaged by the organizations
G4-25	Report the basis for identifications and selection of stakeholders involve in the organization process with whom to engage
G4-26	Report the stakeholder engagement approaches like frequency of engagement either by type or by stakeholder group. The organizations must state clearly any indicators (surveys, focus groups, community panels, corporate advisory panels, written statement, management structure or union, and others) as a part of engagement in preparing the report process.
G4-27	Report key issues and concerns raise through the engagement of stakeholder, and the feedback from organization through this issues or problems through its reporting or actions.

Source: Global Reporting Initiative (2014b, pp. 29–30). G4 Sustainability Reporting Guidelines: Reporting Principles and Standard Disclosures.

Besides that, AccountAbility provided other reporting guidelines called as AA1000 Stakeholder Engagement Standard. This standard developed by Institute of Social and Ethical Accountability (ISEA) in 1999 that concern for the large part of accountability and sustainability principles (Gao & Zhang, 2006). Compare to the GRI that most concern with triple bottom line dimensions, AA1000 focus on the social and ethical governance (Lozano & Huisinigh, 2011). According to Göbbels & Jonker (2003), AA1000 are appropriate guidelines to be used by organizations to manage the complex

sustainability issues, achieve the sustainable development goals and to improve the sustainability performance. Additionally, this standard can be used as a common language for the different type of organizations and stakeholders which considered as the best practices. This guideline offers a transparent and approachable sustainability accounting framework in describing the inclusivity of stakeholder in the information gathering process (Gao & Zhang, 2006). Table 2.3.2-2 shows the level of engagement and method of engagement by AAI 000 which adopted in this research.

Table 2.3.2-2
Levels and Methods of Stakeholder Engagement

Levels of Engagement	Methods of Engagement
Empower	Stakeholder integration into governance, strategies, and business operations
Collaborate	Joint projects, joint ventures, partnership, multi-stakeholder initiatives, online collaborative platform
Involve	Multi-stakeholder forum, advisory panels, consensus building process, participatory decision making process, focus groups, Online engagement tools
Negotiate	Collective bargaining with workers through trade unions
Consult	Surveys, meeting with selected stakeholders, public meetings, workshops
Transact	Public-private partnership, private finance initiatives, grant-making, cause related marketing
Inform	Brochures, bulletins, report, website, speeches, conference and public presentations
Advocate	Pressure on regulatory bodies, advocacy efforts through social media, lobbying efforts
Monitor	Media and internet tracking, second-hand report via interview
Remain Passive	Protest, letters, media, websites

Source: AccountAbility (2015, p. 22). AAI000 Stakeholder Engagement Standard

Remain passive, monitor, and advocate level of engagement is a short-term engagement and classified as low level of engagement. It involves none-active communication (protest, letters, media, and websites) or one-way communication either organization to stakeholders (regulatory bodies' pressure, lobbying efforts, advocacy efforts through social media) or stakeholders to organizations (media and internet tracking, a report from other stakeholders via interviews). Inform level of engagement is a medium-term engagement that involves one-way communication from organizations to stakeholders (bulletins, brochures, reports and websites, speeches, conference and public presentations).

Others medium-term engagement such as transact, consult and negotiate level of engagement involves limited two-way communications. In transact level of engagement, organizations will set and monitor performance according to the terms and contract. Methods of engagement use are private finance initiative, public-private partnerships, grant-making, and cause-related marketing. These remain passive, monitor, advocate, inform, and transact level of engagement has been recognised as pre-engagement activities to create awareness and tracking information from both parties indirectly (AccountAbility, 2015). Further, consult level of engagement allows stakeholders to give an opinion as require by organizations through a survey, focus group, formal meeting, public meeting, and workshop whereas stakeholders have the power to influence the decision at the negotiated level of engagement. For instance, collective bargaining with worker through trade unions that allow for discussion specific issues with the aim to achieve an agreement for both parties.

The higher engagement level are involve, collaborate, and empower. Stakeholders and organizations open for sharing the information in involve level but act independently through activities suggested by AA1000 such as forums, advisory, consensus building process, participatory decision-making process, and online engagement tools. Collaborate level of engagement allow both parties learn, make decisions, and act together. Methods used in this engagement such as joint projects, joint ventures, partnerships, multi-stakeholder initiatives and online collaborative platforms. Empower level of engagement shows integrations of stakeholders into organizations governance, strategy, and operations whereby the decision making authority delegate to stakeholders rather than control by organizations itself to shape the organizations' agenda. Figure 2.3.2-1 shows the different level of engagement depending on the methods used by organizations to engage with their stakeholders.

		Empower
		Collaborate
		Involve
	Negotiate	
	Consult	
	Transact	
	Inform	
Advocate		
Monitor		
Remain passive		
Low	Medium	High

Figure 2.3.2-1
AccountAbility Levels and Approaches to Engagement
 Source: AccountAbility (2015, p. 21). AA1000 Stakeholder Engagement Standard

Based on the review of the literature, there are various reporting guideline and standard available to address the sustainability issues due to increasing stakeholders' concerns for organizational accountability and transparency. It is believed the companies report the sustainability in different ways due to the different adoption of sustainability reporting guidelines. Therefore, the diversity in reporting on stakeholder engagement depends on the selected sustainability reporting guidelines employed by the organizations.



CHAPTER3

RESEARCH FRAMEWORK & METHODOLOGY

3.1. Introduction

This chapter describes the research methods used in the study. This chapter explains in details the research framework, research design, data collection procedure, and data analysis of the study.

3.2. Research Framework

The research framework of this study was developed and employed to examine the extent of stakeholder engagement disclosure in sustainability reporting of FTSE4Good Bursa Malaysia constituents through identifying the key stakeholders, methods of engagement used and the level of stakeholder participation. Review of the literature on stakeholder engagement and sustainability reporting fields highlights models and theory relevant to be used in this research. The stakeholder theory and several models as discussed in the literature review were employed to determine the stakeholder engagement section in the sustainability report.

Stakeholder engagement disclosure was identified in according to the GRI reporting guidelines and stakeholder engagement index by Kaur and Lodhia (2014). The GRI G4 reporting guidelines were preferred because it is the latest guidelines that provide indicators for stakeholder engagement disclosure in the sustainability report. Other than that, stakeholder engagement index developed by Kaur and Lodhia (2014) were used in this research as it is quite a comprehensive framework for evaluating the

disclosure of stakeholder engagement within the sustainability report. This study developed a stakeholder engagement index by adapting both GRI G4 reporting guidelines and stakeholder engagement index used by Kaur and Lodhia (2014) to address the first and second research questions. Table 3.2-1 present the research framework as integrated stakeholder engagement index. This index was then employed to identify the key stakeholders and methods of stakeholder engagements have been carried out by the constituents.

Table 3.2-1
Integrated Stakeholder Engagement Index

Indicators	Sub-Indicators
Stakeholder identification and selection	Stakeholder list Stakeholder definition Stakeholder groups attributes Relationship to the reporting organisations Methods of identification Level of stakeholder interest noticed
Stakeholder engagement mechanism	Methods used for engagement Type of stakeholder engagement Frequency of stakeholder engagement Concerns and issues addressed Feedback from organization regarding the issues Stakeholder comments, concerns, questions quoted

Sources: Indicators adapted from GRI G4 guidelines (2014b, pp. 29–30) and Kaur & Lodhia (2014) Index

The integrated stakeholder engagement index has two indicators. The first indicator is stakeholder identification and selection disclosure. This indicator has five sub-indicators that are stakeholder list, stakeholder definition in general statement or policy, stakeholder group attributes, any relationship of stakeholder group with

constituent, methods of identification stakeholder groups, and the level of stakeholder interest perceived.

The second indicator is stakeholder engagement mechanism that consists of six sub-indicators. These sub-indicators are media or approaches used to engage with the stakeholders, the degree of stakeholder involvement, the frequency of stakeholder engagement, key concern and issues, the relation between the method used with issues and concerns raised by stakeholders, and the feedback disclosed by the constituents towards the stakeholders.

The study drew upon the stakeholder theory in addressing the first and second research questions. The second research question had also been addressing based on methods of engagement theme provided by AA1000. Meanwhile, in addressing the third research question, AA1000 level of engagement model (2015) (see Section 2.3.2-2) was adopted in examining the extent of stakeholder engagement among the FTSE4Good Bursa Malaysia constituents. This model was used in this study because it is the current model of the AA1000 and there are no prior studies that have been using this model. The evaluation in the third research question was made by drawing upon the Friedman and Miles' Ladder of Participation (2006) (see Section 2.2) rather than Arnstein' Ladder of Participation due as it is a more extensive framework that could assist in explaining and justified the findings.

3.3. Research Design

The qualitative research method was employed in this study to explore and examine the extent of stakeholder engagement disclosure in sustainability reporting.

This is because of its extensive coverage on complex technique and philosophies that are mainly used to examine in detail people experience, behavior, social moments, organizational function and others phenomena (Hennink, Hutter, & Bailey, 2011). This research was undertaken via review and interpret existing information and data to develop an understanding of a specific topic (Lingenfelder & Thomas, 2011). The qualitative method also assists in setting the criteria for the companies studied, used to produce ethical procedures to protect the relevant and reliable data, and contribute to an appropriate data analysis technique (Yin, 1994).

There are two phases involved in this research to address research objectives. The first phase is a general phase comprise of examination and reviewing of the constituents appropriate to the research context. It encompasses a few considerations to ensure that the selected companies would assist in investigating the extent of stakeholder engagement disclosure in sustainability reporting. The second phase is a specific phase which involves documentary analysis of publicly available document by identifying the availability of sustainability reports of the selected companies. These documents were then content analysed by using thematic analysis to evaluate stakeholder engagement disclosure. Figure 3.3-1 shows the flow of the research.

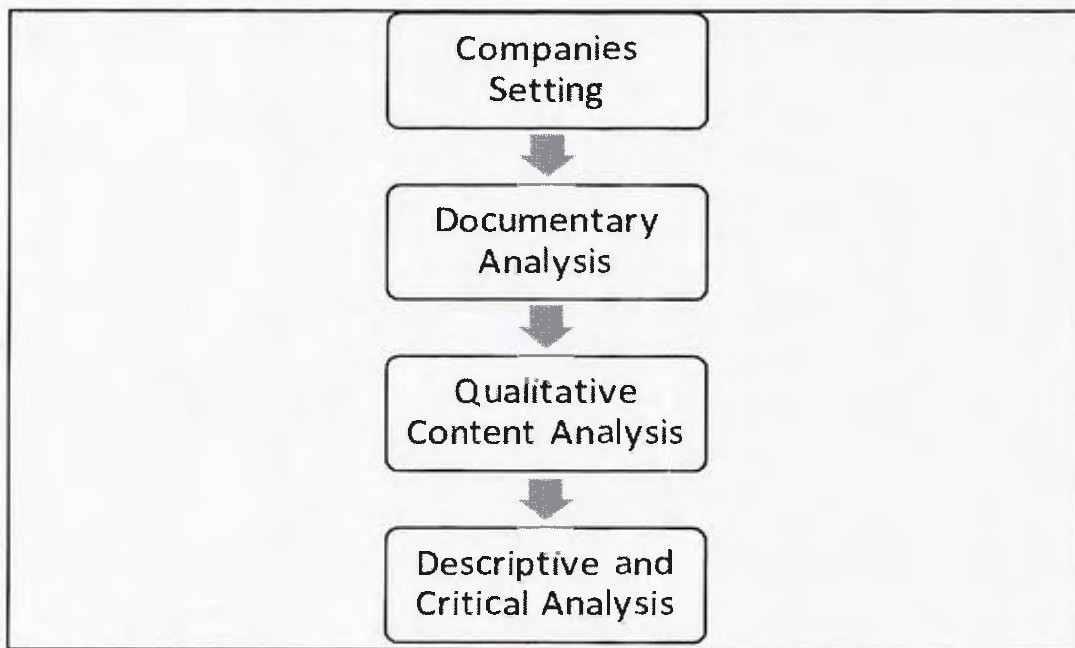


Figure 3.3-1
Research Flowcharts

3.4. Companies Studied

As explained in Section 1.6, this research focuses on the FTSE4Good Bursa Malaysia constituents. The selection of constituents was made to evaluate the extent of stakeholder engagement disclosure in sustainability reporting of Malaysian PLCs. The constituents in this Index have been selected via a thorough screening process by Bursa Malaysia and FTSE that require them to embrace good corporate governance and corporate transparency in their reporting. Besides that, Bursa Malaysia has encouraged the constituents to issues sustainability report via employed the GRI reporting guidelines. However, there is none enforcement for reporting on stakeholder engagement in their sustainability reports.

Table 3.4-1 shows a total of inclusion and exclusion of the FTSE4Good Bursa Malaysia constituents from 2014 until 2017. The inclusions and exclusions data were retrieved from FTSE4Good Index Series Semi-Annual Review for the month of June

and December of 2015-2017. Initially, there are a total of 24 constituents selected from the top 200 Malaysian stocks in the FTSE Bursa Malaysia EMAS Index (Bursa Malaysia, 2018). There was an increase of constituents in 2015 with 10 inclusions and 1 exclusions followed by 11 inclusions and 2 exclusions in 2016. However, only 3 inclusions and 2 exclusions took place for the year of 2017. Based on the latest review on 29 December 2017, there are a total of 44 constituents of FTSE4Good Index (FTSE Russell, 2017).

Table 3.4-1
FTSE4Good Bursa Malaysia Constituents

Year	Total Constituents	Inclusions	Exclusions
2014	24	-	-
2015	34	10	1
2016	43	11	2
2017	44	3	2

Since the FTSE4Good Bursa Malaysia Index was introduced in December 2014 while the data were collected at the early month of 2018, there is non-availability of sustainability report in 2017. For the evaluation process, the constituents were selected based on the availability of sustainability reporting that consist of stakeholder engagement section in 2015 and 2016. Table 3.4-2 shows there are a total of 32 constituents publish the sustainability report whereas only 28 constituents reporting on stakeholder engagement in sustainability report in 2015 and 2016. The constituents represent trading/services sectors (37.50%), finance sectors (18.75%), 6.25% from each of industrial products, plantation, properties, and REITs sector, and 3.13% operated in construction and IPC (electronic) sectors. In total, 87.50% of constituents that issued sustainability reports provided reporting on stakeholder engagement in the sustainability report.

Table 3.4-2

No. of Constituents Reporting on Stakeholder Engagement 2015-2016

Sectors	Total	Issues Sustainability Reports	Reporting on Stakeholder Engagement	% Reporting on Stakeholder Engagement
Construction	1	1	1	3.13
Consumer Product	1	-	-	-
Finance	8	6	6	18.75
Industrial Product	6	3	2	6.25
IPC	1	1	1	3.13
IT	1	-	-	-
Plantation	2	2	2	6.25
Properties	2	2	2	6.25
REITs	2	2	2	6.25
Trading/Services	20	15	12	37.50
Total	44	32	28	87.50

The final selections conclude 28 constituents were selected to be evaluated. The number of constituents in this research is considered as appropriate as these companies were issued sustainability report that could be considered as the latest data. Table 3.4-3 shows demographic details of FTSE4Good Bursa Malaysia constituents involved in this research.

Table 3.4-3

Demographic Details of Constituents

Sector	Name of Company	Code	Document	Year
Construction	Sunway Construction Group	SCG	IR	2015
	Bhd		IR	2016
Finance	Bursa Malaysia Bhd	BM	SR	2015
			SR	2016
	CIMB Group Bhd	CIMB	SR	2015

Table 3.4-3 (Continued)

Sector	Name of Company	Code	Document	Year
Finance	Malayan Banking Bhd	MBB	IR	2015
			IR	2016
	Malaysian Building Society Bhd	MBS	IR	2016
	Public Bank Bhd	PBB	IR	2016
	RHB BankBhd	RHB	IR	2016
Industrial Products	Cahaya Mata Sarawak Bhd	CMS	SR	2015
			SR	2016
	Petronas Gas Bhd	PGB	IR	2015
IPC	Digi.Com Bhd	DIGI	SR	2015
			SR	2016
Plantation	Kuala Lumpur Kepong Bhd	KLK	IR	2015
			IR	2016
	Kulim (M) Bhd	KLM	IR	2016
Properties	Malaysian Resources Corporation Bhd	MRC	IR	2015
			IR	2016
	UEM Sunrise Bhd	UEM	IR	2016
REITs	KLCC Prop. & REITs	KLCC	IR	2016
	Sunway Real Estate Investment Trust Bhd	SREIT	IR	2016
			IR	2016
Trading/ Services	Axiata Group Bhd	AXG	SR	2015
			SR	2016
	GDex Express Courier Bhd	GDEX	IR	2015
			IR	2016
	KPJ Healthcare Bhd	KPJ	IR	2016
	Malaysian Marine & Heavy Engineering Bhd	MHE	IR	2015
			IR	2016
	Malaysian Airport Holding Bhd	MAS	SR	2015
			SR	2016
	Maxis Bhd	MXS	IR	2016
	MISC Bhd	MISC	SR	2015
			SR	2016

Table 3.4-3 (Continued)

Sector	Name of Company	Code	Document	Year
	Petronas Dagangan Bhd	PDB	IR	2016
			IR	2015
	Sime Darby Bhd	SDB	IR	2016
			SR	2015
Trading/ Services	SunwayBhd	SB	SR	2016
			IR	2015
	Telekom Malaysia Bhd	TM	IR	2016
			SR	2015
	YTL Corporation Bhd	YTL	SR	2016

3.5. Data Collection

For data collection, each phase involved different methods. As discussed in Section 3.4, the selection of appropriate constituents was made based on the availability of sustainability reporting that consist of stakeholder engagement section. The previous researcher agreed that all forms of data reaching the public domain are considered as part of an organizations accountability (Gray et al., 1995). In this study, both integrated report or standalone report were examined due to non-homogenous factors and voluntary adoption of sustainability report in Malaysia.

As mentioned before, since the FTSE4Good Bursa Malaysia Index was introduced in December 2014 while the data were collected at the early month of 2018, there is non-availability of sustainability report in 2017. Thus, this research examined 88 publicly available documents (mediums used to report sustainability issues and performance) of the 44 constituents that were downloaded from the constituents' website. Table 3.5-1 shows the total of sustainability reports available comprise of 38 integrated report in annual reports and 19 standalone reports. However, only 26 out of 38 integrated reports

(IR) and 19 standalone reports (SR) have reported on stakeholder engagement. The final selections conclude 45 publicly available documents were analysed further to evaluate the extent of stakeholder engagement disclosure in sustainability reporting of FTSE4Good Bursa Malaysia constituents.

Table 3.5-1

No. of Sustainability Reports with Stakeholder Engagement for 2015-2016

Type of Documents	Sustainability Reports	Sustainability Reports with Stakeholder Engagement
Integrated report	38	26
Standalone report	19	19
Total	57	45

3.6. Data Analysis

This study employed qualitative content analysis to analyze data collection. Content analysis widely used as one of the numerous research methods in the study of disclosures to analyze the context or contextual meaning of the text (Hsieh & Shannon, 2015). It is the most important tool used widely in communication research (Boesso & Kumar, 2007; Bryman, 2008). This technique is considered as a well-organized process of exploring and gathering data units, integrating, combining into patterns, classifying which one is considered essential and defining conclusions (Gunawan & Yudani, 2017).

The qualitative content analysis consists of identifying key themes in the material being analyzed (Bryman & Bell, 2007). For the purpose of this study, the sustainability reports were content analyzed by employing thematic analysis which involves a theme or combination of several categories (Krippendorff, 2004) to answer the research

questions on the extent of stakeholder engagement disclosure among FTSE4Good Bursa Malaysia constituents. This study uses the indicators from the developed integrated stakeholder engagement index and AA1000 model, as well as research questions, as the key themes.



CHAPTER4

RESEARCH FINDINGS & DISCUSSIONS

4.1. Introduction

This chapter presents and discusses the findings of the study. The discussion starts with the descriptive of the stakeholder engagement disclosure in sustainability reporting of the constituents. It is followed by the overview disclosure of the stakeholder engagement in the sustainability report, as well as the findings of the research question one until research question three.

4.2. Stakeholder Engagement Disclosure in Sustainability Reporting

As explained in Section 3.5, 88 publicly available document that comprises of the integrated report and standalone report were analysed. Out of 88 publicly available documents collected for the year of 2015 and 2016, there is 45 publicly available document reporting about stakeholder engagement by 28 constituents of FTSE4Good Bursa Malaysia Index (please see Table 3.4-2). These constituents highlighted the importance of engaging with stakeholders for sustainability reports development. The evidence below indicates that most of the constituents assumed the engagement with stakeholders is a critical process that assists the organization to understand the stakeholder needs and view. The disclosure of stakeholder engagement in the sustainability report is a way to maintain their long-term relationship via responding to the different stakeholder needs and manage the critical stakeholder perspective towards organizational sustainability.

"We engage with our stakeholder accordingly to develop a deeper understanding of how we can address their needs ... "

Extract from SGB SR15 (p.17)

"Through proactive engagement with our many stakeholders, we are able to respond to their different expectations, meet their changing needs and strengthening our ties with them. "

Extract from RHB IR16 (p.179)

"Communication with stakeholders is imperative in understanding and managing their expectations and provide new perspectives in generating positive impact to the organization."

Extract from KLCC IR16 (p.158)

"Engaging with our stakeholders is a critical process that helps us understand our key environmental and social impacts, identify risks and develop innovative ways to solve key problems"

Extract from MHB IR16 (p.65)

The constituents highlight a systematic, regular and proactive engagement with stakeholders help them in recognizing the key issues, risks, and opportunities that bring positive impacts to both parties. Besides that, the engagement with the stakeholder assist the constituents to prioritize their activities and resources and build new ideas that can give impacts towards environment and society. This as stated in the sustainability report as follows:

"Our systematic and regular engagement with our various stakeholders helps us to understand their needs and their points of view."

Extract from CMS SR16 (p.15)

"Our engagement with stakeholders provides an opportunity to test new ideas, solicit suggestions for ways to address industry-wide challenges, determine priority areas....."

Extract from UEM IR16 (p.112)

"Regular engagement with our stakeholders helps us to identify key issues, risks, and opportunities which are important to them and critical to our long term sustainability."

Extract from MXS IR16 (p.52)

"Stakeholder engagement is a critical process that helps us understand our key environmental and social impacts."

Extract from SCG IR16 (p.72)

"Stakeholder views and expectations help us to priorities the actions and resources we invest in our business."

Extract from SREIT IR16 (p.153)

The purposes of this analysis are to recognize the state of the stakeholder engagement among the selected constituents. This evidence also showed the constituents had

disclosed about their engagement with the stakeholders in the sustainability report. Based on this evidence, the constituents assume stakeholder engagement as part of organizational learning and to meet the social needs and expectations. Otherwise, the previous study mentions the organization was carried out stakeholder engagement activities to change the stakeholder perspectives through creating a positive image (Roberts et al., 1992). It has shown the different perspectives between the constituents and the researcher opinions.

However, none of the constituents do mention about the involvement of the stakeholders in the organizational specific activities to obtain stakeholder opinions or as part of the accountability or transparency in their statements as defined by Friedman & Miles (2006), Gray (2000) and Greenwood (2007). The evidence aligned with the AccountAbility (2015), Cumming (2001), and Manetti (2011) studies. Most of the constituents attempted to understand the stakeholder needs and opinion through identify the relevant issues and respond to the stakeholder expectations with the aim to achieve the corporate sustainability goals. Based on this evidence, the constituents have moved forward from stakeholder management into stakeholder engagement practices.

Further analysis was undertaken to address the first and second research objectives. For that purpose, the integrated stakeholder engagement index were used to identify the inclusion or exclusion of indicators. The indicators were considered to be disclosed when one or more information were presented in the reports (either 2015 or 2016). Following Kaur and Lodhia (2014) and Midin et al., (2017) studies, the percentages were calculated on the basis of 100% disclosure over the total number of constituents

(28) that provide about their stakeholder engagements in the sustainability report. Minimum, 3.57% indicates for 1 disclosure found on various aspects of stakeholder engagement in sustainability report.

4.3. The Key Stakeholders

This section addresses the first research question on who are the key stakeholders of FTSE4Good Bursa Malaysia constituents covered in this study. Table 4.3-1 shows the first indicator of integrated stakeholder engagement index results.

Table 4.3-1
Integrated Stakeholder Engagement Index: Stakeholder Identification and Selection Indicator

Indicators	Sub-Indicators	No. of Constituents	Percentage (%)
Stakeholder identification and selection	Stakeholder definition	8	28.57
	Stakeholder list	27	96.43
	Stakeholder group attributes	3	10.71
	Relationship stakeholder groups with organization	1	3.57
	Methods of identification stakeholder	2	7.14
	Differentiation of stakeholder	0	0
	Level of stakeholder interest perceived	0	0

The discussion begins by examining the stakeholders' definition of the constituents. As can be seen in Table 4.3-1, 28.57% constituents have about the same opinion in defining their stakeholders. Most of the constituents define stakeholder as an individual or group of people who able to influence the organization decisions, have

interest in organization activities, and affected or affecting business operations and activities. It is as explained in their reports:

"Stakeholder have direct influence on business operations that determine the impact of business activities and sustainability initiatives."

Extract from AXG SR15 (p.15)

"We define stakeholders as people or groups within or outside the Company who are affected by our activities."

Extract from SCG IR16 (p.72)

"We consider stakeholders to be anyone with an interest in our activities, whether they are an individual or a representative of a group or organisation. Stakeholders include people who are affected by our operations as well as those who influence our decisions."

Extract from MRC IR15 (p.78)

"These individuals, communities and institutions are affected and can impact our business operations and our sustainability efforts."

Extract from DIGI IR16 (p.10)

This definition aligned with the stakeholder theory developed by R. Edward Freeman, GRI G4 definition provided, and a few scholar studies. The previous study define stakeholders as an individual or group who affects or affected by the corporate activities (Gao & Zhang, 2006), interest with organization activities (Savage & Blair, 1991), and capable to influence organization decision to achieve their corporate objectives (Bellantuono et al., 2016; Grafebuckens & Hinton, 1998; Savage & Blair, 1991).

For the second sub-indicator, evidence shows that 96.43% constituents recognize their stakeholders and provide a complete list of their stakeholders. However, one (1) constituent did not disclose any information about the stakeholders they engaged. Table 4.3-2 highlights the list of stakeholders that the constituents engaged with as reported in their sustainability reports.

Table 4.3-2
Stakeholder List Engaged by the Constituents

No.	Stakeholders	No.	Stakeholders
1	Academic	22	Intermediaries
2	Accreditation bodies	23	Investment community
3	Active organisations	24	Investors
4	Airlines	25	Issuers
5	Airport community	26	Market participants
6	Analyst	27	Media
7	Certification bodies	28	Non-Government Organisations (NGOs)
8	Civil society	29	Non-profit organisations
9	Clients	30	Passengers
10	Community	31	Patients
11	Consultancies	32	Professional bodies
12	Consumers	33	Regulators
13	Contractors	34	School and universities
14	Customers	35	Service providers
15	Dealers	36	Shareholders
16	Employees	37	Subcontractors
17	General public	38	Suppliers
18	Government	39	Tenants
19	Industry associations	40	Unions
20	Industry peers	41	Value chain partners
21	Interest groups	42	Vendors

The evidence shows various stakeholder terms used by the constituents. However, a few stakeholders were recognized as the key stakeholders such as employees, regulators, consumers, community (Graebuckens & Hinton, 1998), customers, investors, government, media, suppliers, and business partners (Bellantuono et al., 2016). List of other stakeholders that emerged from the content analysis was classified accordingly at the end of this discussion by referring to others evidence found related with the index in Table 4.3-1.

For the third sub-indicator, only 10.71% constituents disclosed about stakeholders group's attribute. The finding shows the constituents disclosed the attributes of their stakeholder group in a general statement. It is beliefs the identification of the stakeholder attributes able to determine different characteristics of stakeholder with whom the constituents engaged because each of organization has different nature of the business. Table 4.3-3 shows the stakeholders engaged by the constituents who have a dependency, influence, diversity, and stake attributes.

Table 4.3-3
Stakeholders Attributes

Document	Stakeholders	Attributes
AXG SR15: (p.20-21)	Shareholders	<i>"...individual who owned and invest the companies, thus entitled for annual returns."</i>
	Customers	<i>"....direct gauge of the efficiency and effectiveness of our operations, and a key determinants of our commercial success."</i>
	Media	<i>"....the main channel through which we publicise information regarding the Group to the wider public."</i>

Table 4.3-3 (Continued)

Document	Stakeholders	Attributes
AXG SR15: (p.20-21)	Communities	<i>"...key beneficiaries that directly gauge the effectiveness of our CR projects."</i>
CIMB SR16: (p.9)	Regulators	<i>"...the bedrock that develop and shape industry development."</i>
	Suppliers	<i>"...ease our ability to serve our customers in the best way possible and optimise our cost."</i>
TM IR16: (p.52)	Customers	<i>".....residential consumers, small to medium enterprises, large companies/organisations and government, and are represented by various consumer groups."</i>
	Employee	<i>"....large and diverse, with over 28,000 employees nationwide."</i>
	Investment community	<i>".....institutional investors, buy and sell-side analysts, and retail shareholders, some of whom invest with social and environmental preferences."</i>

The evidence shows the constituents studied engaged with the various types of stakeholders and stated their stakeholders' attributes in the sustainability report. It is consistent with the Mitchell et al., (1997) theory that highlights the more attributes owned by the stakeholder, the more organization noticed about them, hence, easily to describe or explain in the sustainability report. Shareholder, suppliers, investment communities and customers have 'stake' or 'interest' attribute. The constituent describes a shareholder is a person who owns and invest in the companies whereas an investment community is a person who invests based on the social and environmental preference. According to (Freeman, 1984), this group of stakeholder owns the voting

power to support managerial operations and decisions whereas (Barringer & Harrison, 2000) mention the shareholders is a person who concerns for the information within the sustainability report to ensure the organizations have enough economic resources. Thus, it was classified as equity stake.

Customers and suppliers are 'market' stake that has economic influencer and economic power. The findings show customers determine the efficiency, effectiveness, and success of business operations whereas suppliers ease the business operations that determine the cost optimizations. These type of stakeholder group have the influence attributes who capable to give impact during decision-making process in business operations. These stakeholder groups also own dependency attribute that directly depends on the organizations performance, product and services, activities and corporate objectives (AccountAbility, 2015). Additionally, communities are classified as dependency attributes because it directly affects the effectiveness of organizations activities.

Besides that, Freeman (1984) explains that regulators have 'political' stake and political influencer. However, the constituents merely described the regulators' attributes in diversity perspectives attributes that aligned with the AA1000 standards. This group considered has different opinions that can help organizations to shape a new understanding of the policies, rules, and regulations. Meanwhile, the constituents used media to publicise their information to the public. Hence, it is consider as responsibility attributes when the constituents shows their commercial responsibility.

For the fourth sub-indicator, only one(1) constituent mentioned the stakeholder group relationship in their business operations. For example, as extracted from SCG IR15 (p.66):

"Maintaining good relationships with suppliers and subcontractors ensures projects can progress with minimum disruptions. We also take care of employees' welfare as this is our largest stakeholder group."

This statement aligns with Gao & Zhang (2006) study whereby the constituents explained they able to manage the projects with fewer interruptions through taking care the relationship with the suppliers. Other than that, the constituents concern for the welfare of their employees as this is the most salient stakeholder for them. However, the low disclosure for this indicator may be due to the complex relationship form between the organization and stakeholder that make the constituents less concerned about this disclosure.

Even though most of the constituents recognized their stakeholders, only 7.14% constituents' explained about the methods of identification and selection of stakeholder such as follows:

"To ensure the comprehensive identification of our stakeholder groups, Axiata adopts an engagement methodology based on the principles of inclusivity, materiality and responsiveness as defined by the AA1000 Principle Standard."

Extract from AXG SR15 (p.20)

“The selection of stakeholders was based on the relevance and understanding of the Group’s business and sustainable development.”

Extract from MAS SR1 6 (p.17)

The constituents used the reporting guidelines principles and self-review in selection and identification of stakeholders. This research found limited disclosure for this indicator while the previous study in the local council also shows there is no disclosure for this indicator (Kaur & Lodhia, 2014). Based on the evidence, the constituents did not fully meet the GRI-G25 standard disclosure perhaps due to the voluntary reporting practices.

For the following sub-indicator, none of the constituents disclose about differentiate between the primary or secondary group of stakeholder. Thus, stakeholder list as presented in the Table 4.3-2 and stakeholder theory was mapped to identify the type of and the groups of stakeholder engaged by the constituents. As discusses in the literature, the primary stakeholder group is a group of people who have interdependent with the organization in where the organization performance will decline and no longer able to survive without support from these group (Clarkson, 1995).

This research considers shareholders, investors, employees, consumers, and suppliers as the primary stakeholder groups except for community, regulator, and government because the literature classified these types of stakeholders in the secondary group (Henriques & Sadosky, 1999; Waddock, 2001). The secondary stakeholder groups is a group of people who affect or affecting by organization activities but have no direct engagement with the business operations (Clarkson, 1995). Other than the community,

regulator, and government as mention in above paragraph, trade association, media, informal networks, and non-governmental organization also are considered as the secondary stakeholder group.

Besides that, the different term used for stakeholders by the constituents have similar meanings. The term used is depending on the business natures. This finding classified the stakeholders into the common group as it likely to form homogenous groupings of people (Friedman & Miles, 2006). Florea and Florea (2013) and Matuleviciene and Stravinskiene (2015) suggested employees and shareholder as internal groups of stakeholder. Thus, other types of stakeholders are classified as the external stakeholders as presented in Table 4.3-2. Based on the overall discussion, the key stakeholders for the FTS4Good Bursa Malaysia are shareholders, consumers, employees, investors, suppliers, communities, and regulators. Meanwhile, others type of stakeholders is considered less salient due to no further discussions were provided in the reports.

The findings on stakeholder identification and selection disclosure are aligned with GRI-G24 but relatively low with GRI G4-25 standard requirement. The constituents are found merely stated in general statement without providing detail discussions and neglected G4-25 standard disclosure. It may be due to lack of understanding on the guidelines provided or the constituents themselves did not consider this process as a part of sustainability reporting disclosure. Thus, the extent of stakeholder engagement disclosure for stakeholder identification and selection process among FTSE4Good Bursa Malaysia are seemed incomplete and not fulfil the GRI G4 requirement standards.

4.4. Methods of Engagement with Stakeholders

This section addresses the second research question on how do the constituents engaged with their stakeholders. Table 4.4-1 presents the second indicator of integrated stakeholder engagement index results. The finding highlights 92.86% constituents studied disclosed their methods and approach used to engage with stakeholders. However, two (2) constituents (YTL and MHE) did not state any information about methods of engagement with the stakeholders. Evidence shows that each of the stakeholder engaged through different types of methods or approaches and different frequency of engagements depending on the concerns and issues need to be solved.

Table 4.4-1
Integrated Stakeholder Engagement Index: Stakeholder Engagement Mechanism Indicator

Indicators	Sub-Indicators	No. of Constituents	Percentage (%)
Stakeholder engagement mechanism	Methods used for stakeholder engagement	26	92.86
	Degree of stakeholder involvement	9	32.14
	Frequency of stakeholder engagement	3	10.71
	Key concerns and issues raised	20	75.00
	Concerns and issues addressed	6	21.43
	Feedback from organization regarding the issues	7	25.00
	Stakeholder comments, concerns, questions quoted	0	0.00

Besides the pre-determined codes identified from AAI 000 reporting guidelines, there are a few codes emerged for methods of engagement. Table 4.4-2 lists the methods of engagement with the key stakeholders as stated in the sustainability reports.

Table 4.4-2

Methods of Engagement Used By FTSE4Good Bursa Malaysia Constituents

Categories	Coding Classifications
Advisory panels	Consultations
Brochures	Catalogues, information leaflet
Bulletins	Newsletters, magazines, publication, articles
Cause related marketing	Campaign, roadshows
Focus group	Committee, union
Grant-making	Scheme, dividend, awards, subsidy
Joint venture	Agreement
Letters	Letter, message
Media and internet tracking	Social media, digital media
Meeting with selected stakeholder	Annual general meeting (AGM), extraordinary general meeting (EGM), dialogue, town hall
Multi-stakeholder forums	Forum
Multi-stakeholder initiatives	CSR programmes, activities, volunteer work, donation, scholarship, fundraising, internship, events, exhibition, education programmes
Online engagement tools	Email, hotline, mobile application
Participatory decision-making processes	Evaluation performance, assessment, employee performance management, constructive feedback session
Partnerships	Request for proposal, policies, quotations, tender bidding, negotiation
Pressure on regulatory bodies	Policies
Private finance initiative	Sponsorship, dividend
Public meeting	Question and answer sessions
Public-private partnerships	Compliance for regulations

Table 4.4-2 (Continued)

Categories	Coding Classifications
Reports	Annual report, quarterly report, progress updates, scheduled updates, sustainability report, financial report
Speeches, conference and public presentations	Talks, announcement, briefing, conference, presentations, advocacy program
Survey	Supplier relationship management, customer experience management, survey, questionnaire
Websites	Portal, website, platform, channel, intranet
Workshop	Training, seminar, workshop, development programmes

For the second sub-indicator, 32.14% constituents had described the degree of stakeholder involvement in a general statement such as follows:

"The business and functional units are empowered to interact with their respective stakeholders on their chosen platforms."

Extract from BM SR15 (p.17)

"The 20/20 Sustainability Plan was formulated after consulting our stakeholders and after studying the most important issues that we must address if the Group is to create value in the future."

Extract from MBB IR16 (p.181)

"We engage with our stakeholders throughout the project planning, development, construction and operation stages."

Extract from MRC IR15 (p.78)

Meanwhile, one of the constituents in construction sector had disclosed the degree of stakeholder involvement in their business operations that consist of monitoring, consultation, and information gathering. In this case, the supplier (contractor) and employees (engineer and project manager) are monitoring the project by digitally reviewing the project without using old methods such as faxes and phone message. The employee (lead architect) involved in a consultation process to advice the team efficiently and effectively.

Other stakeholders such as supplier (subcontractor), government agency, intermediaries (facilities management), employee (technician and engineer) involve in information gathering. The data and information were gathered digitally, corrective action in the field using a tablet and utilize the software to speed up the works and inspections process. This degree of stakeholder involvement aligns with the Manetti's (2011) study in where the engagements were carried out in form of projects planning rather than advising. Additionally, Maybank Bhd applied the consultation with the stakeholders as part of the sustainability reporting process that consistent with the studies conducted by the Manetti (2011) and Kaur & Lodhia (2014).

For the following sub-indicator, 10.71% constituents have disclosed about the frequency of engagement with stakeholders. The finding shows stakeholders have been engaged either in no time limit, impromptu, regularly, daily, biennially, quarterly and annually depend on the engagement method. However, the frequency of engagement relation with methods of engagement is not clearly stated.

Other than that, 75% constituents disclosed key concerns and issues with 21.43% constituents address these concerns and issues while 25.00% disclose about their feedback towards the concern and issues properly. The disclosure for the fifth until six sub-indicator is important because this section will assist the report users to define the relevant issues addressed by organizations towards stakeholders as well as the feedback provided by the organizations. Therefore, this disclosure used as a basis for further discussion on how do the constituents engaged with their key stakeholders.

The various engagement activities carried out to engage with stakeholders have a common purpose among the constituents either through learning session, making a decision and implement the solutions for common goals or problems. The constituents consult with regulators on regulatory matters such as liaison, information securities issues, pricing, and tax issues to meet the local requirement which differ from one country to another country. Through this engagement, constituents had conformance and compliance to legislation and legal requirements. The regulators also engaged via meetings to discuss various regulation issues such as risks, liaison, branch closures, and lending. The various activities reported such as scheduled update and progress update used to engage with the regulators as part of information sharing process. Other than that, the constituents used constructive feedback sessions to improve the regulation and policies practices.

Meanwhile, consumers were engaged through campaigns, information leaflets, and catalogue as part of promotion and loyalty programmes and to acknowledge them about latest information of product offering. A survey was conducted to manage consumers experience on the affordability of products offered and quality of service

provided. Under this approach, the constituents were able to respond to consumers' needs effectively. Other than that, constituents also used digital media, portal, and website to share the product and services information as well as an offering towards community and consumer.

Social media, mobile application, email, hotlines, and website are among the methods used by constituents that provide real-time access and quicker response to monitor the feedback from community and consumer. Consumer and community also engage through a public meeting to build networking and maintaining the relationship. Besides that, talks, exhibitions, conference and public presentations used to inform the consumers and community about the innovative offerings, economic and social benefits offered by organizations. Forums sessions used for consumer and community share their opinions, needs, and aspiration, other than to adopt the resolutions. The constituents engaged with the communities needed via CSR programmes such as educational programmes, fundraising activities, and a donation. Other than that, the community was also engaged via scholarships, internships, and sponsorship to assist in community development project. For example, Axiata Young Talent Programmes were carried out with the community to make a positive difference in stakeholders' lives.

On the other hand, magazines, quarterly publications, articles, website, portal, and newsletters used to engage with the employees. These methods used to acknowledge them regarding the safety and health issues, career development programme, corporate governance, internal policies as well as performance management system. Committee and union have played an important role to shape and develop awareness among the

employee on the healthy working environment. Subsidy, scheme, and awards are among engagement method with the employees to raise the motivations to increase the quality of works. Furthermore, employees were also engaged through campaign and community talks to educate and create awareness about the safety in working place. Moreover, employees also engaged by top management through messages, dialogues, and meetings to discuss performance achievement and succession planning. Engagement method carried out through corporate activities such as annual dinners, volunteering works, and outdoor sports. Survey and employee performance management have been conducted to evaluate the employee satisfaction to make sure the employee morale remains high.

A meeting was one of the engagement methods used by all the constituents. Shareholder and investors usually involved in AGM an EGM as engagement session to discuss on the financial performance, corporate planning and developments and corporate social responsibility issues, as well as to adopt the resolutions. Other than meetings, the constituents engaged with the shareholders and investors through talk's sessions, conference, and presentations. For example, to announce about the corporate strategic initiative, new project launch, new prospects, and develop the business directions.

The constituents used the annual report and financial report to inform the shareholders and investors about the financial results information. A company's website has also been used to share an audited financial performance, strategic initiatives and progress, corporate developments, and business operations towards shareholder and investors. This engagement method concerns about corporate transparency and accessibility for

the public. Meanwhile, constituents engaged with investors through roadshows to promote a better understanding of their business backgrounds. Other than that, to inform the latest financial performance results, to exchange the ideas and to provide a better understanding of business natures towards specific stakeholder.

On the other hand, meetings with suppliers were carried out to discuss the affordability of products or services, and to make sure the products or services can be delivered within the time and in good quality conditions. The assessment and evaluation performance was carried out to ensure suppliers comply with payment practices and delivery terms. Sunway Construction Group Bhd, for example, blacklisted suppliers who did not meet the standard requirements to ensure the transparent business processes. Other than that, suppliers engaged through partnerships, supplier relationship management and a joint venture in where occur the process of a request the business proposals, tender bidding, agreement and quotation requests.

Based on the discussions, most of the constituents used the traditional techniques that consistent with previous studies such as meeting, report, survey, forum, and website to engage with their key stakeholders. It is also found the constituents prefer to use the media techniques as suggested in the literature by Beck et al., (2010) such as digital media, portal, social media, mobile application, email, and hotlines. These engagement methods are expected to be able to broaden the engagement scope and reduce the cost of the advertisement. This findings aligned with the GRI-G26 and GRI-G27 standards requirement. Nevertheless, most of the constituents merely stated in point form, and only a few shows effort in explaining the relation of the methods used and issues raised

via stakeholders engagement. Table 4.4-3 summarises overall methods of engagement used by the constituents studied according to the AAI 000 themes.

Table 4.4-3

Methods Used For Engage With the Key Stakeholders

Stakeholders	Methods of Engagement
Regulator	Advisory panels Collective bargaining Meeting with selected stakeholder Participatory decision making process Report
Consumer	Brochure Cause-related marketing Media and internet tracking Multi-stakeholder forum Multi-stakeholder initiative Online engagement tool Public meeting Speeches, conference, and public presentation Survey Website
Community	Media and internet tracking Meeting with selected stakeholder Multi-stakeholder initiative Online engagement tool Public meeting Speeches, conference, and public presentation Website
Employee	Bulletin Focus group Grant-making Letters Multi-stakeholder initiative

Table 4.4-3 (Continued)

Stakeholders	Methods of Engagement
Employee	Survey Website
Shareholder	Meeting with selected stakeholder Speeches, conference, and public presentation Website
Investor	Cause-related marketing Meeting with selected stakeholder Speeches, conference, and public presentation Website
Supplier	Collective bargaining Joint venture Meeting with selected stakeholder Partnership Participatory decision making process Survey

4.5. The Extent of Stakeholder Engagement

This section addresses the third research question that is to identify the extent of stakeholder engagement for FTSE4Good Bursa Malaysia constituents. The extent of the stakeholder engagement can take place at different levels ranging from manipulation to citizen or stakeholder control (Arnstein, 1969; Friedman & Miles, 2006). This research adopted AA1000 theme for coding methods of stakeholder engagement, thus manipulation and therapy rung replaced with remain passive, monitor, advocate, inform, and transact level of engagement as pre-engagement activities (AccountAbility, 2015). According to the evidence for methods of engagement in Section 4.4, the key stakeholders were mainly engaged at remain passive, monitor, advocate, inform, transact, consult, involve, and collaborate levels

of engagement as shown in Table 4.5-1. The analyses was conducted by referring to the themes adopted from AA1000 levels of engagement.

Table 4.5-1
FTSE4Good Bursa Malaysia Constituents' Level of Stakeholder Engagement

Level	Methods of Engagement	Constituents
Empower	None	None
Collaborate	Joint venture, multi-stakeholder initiative, partnership	AXG, BM, CIMB, CMS, DIGI, GDEX, KLCC, KLK, KPJ, MAS, MBB, MBS, MHB, MISC, MXS, PBB, PDB, PGB, RHB, SB, SCG, SDB, SREIT, TM, UEM
Involve	Advisory panels, multi-stakeholder forum, participatory decision making process, online engagement tool	AXG, BM, CIMB, CMS, DIGI, GDEX, KLCC, KLK, MAS, MBS, MISC, MXS, PBB, PDB, PGB, RHB, SDB, TM, UEM
Negotiate	None	None
Consult	Focus group, meeting with selected stakeholder, public meeting, survey	AXG, BM, CIMB, CMS, DIGI, GDEX, KLCC, KLK, KLM, KPJ, MAS, MBB, MBS, MHB, MISC, MXS, PBB, PDB, PGB, RHB, SB, SCG, SDB, SREIT, TM, UEM
Transact	Grant-making, cause-related marketing	AXG, BM, CIMB, CMS, DIGI, GDEX, KLM, KPJ, MBB, MHB, MISC, PBB, PDB, PGB, RHB, SB, SCG, SDB, SREIT, TM
Inform	Bulletin, brochure, speeches, conference, and public presentation, report, website	BM, CIMB, CMS, DIGI, GDEX, KLCC, KPJ, MAS, MBB, MBS, MHB, MISC, MXS, PBB, PDB, PGB, RHB, SCG, SDB, SREIT, TM, UEM

Table 4.5-1 (Continue)

Level	Methods of Engagement	Constituents
Advocate	Pressure on regulatory bodies	MBB
Monitor	Media and internet tracking	KLCC, MAS, MHB, MISC, PDB, PGB, TM
Remain passive	Letters, websites	BM, CMS, GDEX, KLCC, MBB, MHB, MISC, MXS, PDB, PGB, RHB, SCG, TM, UEM

For the first level of engagement, 14 out of 26 constituents engaged with the key stakeholders via pre-engagement activities. Even though there is none active communication in remain passive level of engagement, it does not mean there is no engagement occur. However, it is beliefs the constituents try to educate, sharing the information, and create awareness towards stakeholders via letters and websites. Other pre-engagement activities in monitor level of engagement show seven (7) constituent used media and internet tracking as engagement methods to inform and educate stakeholders about the corporate strategies and sustainability issues. It allowed the key stakeholders to monitor the information from social media and digital media.

Meanwhile, only one (1) constituent was at advocate level of engagement whereby the consumers and employees face pressure on regulatory bodies to meet the policies requirement. However, no further explanation in their report to justify the reason behind the engagement technique involved. As explained in the AA1000 reporting guidelines, this level involves one-way communication from organizations to stakeholders. Thus, imply this level as pre-engagement activities.

For the inform level of engagement, there are 22 constituents inform the key stakeholders via bulletins, reports, speeches, conferences, and public presentations. In

this level, stakeholders are not required to reply or provide feedbacks (AccountAbility, 2015). Scholars argue that this level of engagement as a weak form of engagement because the organizations merely informed the stakeholders (Burchell & Cook, 2006) with no participation from the stakeholders occur (Friedman & Miles, 2006). It contrasts with the Arnstein's model that indicates informing level as the first step of stakeholder involvement. Even though informing level has been regarded as a weak form of engagement via limited one-way communication, depending on the stakeholders' role, it also used as a part of information sharing with the key stakeholders in transparency manner. For instance, Bursa Malaysia used reports as a formal document to engage with regulators to inform the development of capital market.

Meanwhile, 20 out of 26 constituents were in transact level of engagement. There are limited two-way communications involved via grant-making and cause-related marketing such as campaign, roadshows, scheme, dividend, awards, and subsidy. This level has limited the role of stakeholders in giving the opinions whereby the constituents have the power to set and monitor the performance via terms and contract (AccountAbility, 2015). Therefore, transact level of engagement has considered as pre-engagement activities.

On the other hand, consult level of engagement is the first step for stakeholders to voice out their opinions. Content analysis result indicates all of the constituents involved in this level. The constituents are found consult with the key stakeholders to gain the feedback from suppliers and consumers via surveys and questionnaires in respect of stakeholders' satisfaction and product or services improvement. Besides

that, the key stakeholders underpinning consult level of engagement by participating in meetings and workshops to discuss the corporate planning developments.

Gao and Zhang (2006) argue the survey technique used by the organizations may restrict an openness in the dialogue process as the questions design by the organization itself. Friedman and Miles (2006) stated this technique limits the stakeholders' voice whereby stakeholders can only respond to questions given by the constituents. Thus, the issues and concerns disclosed in sustainability report may arise from the organizations initiative itself, and not freely voice out by the stakeholders. Based on the Arnstein model, this finding shows the authority solely lies with the power holder even though the stakeholders able to voice out their opinion (Cumming, 2001). However, consult level of engagement could overcome the weakness of inform level of engagement in meetings and workshops provided by the constituents that allowed for freely give the opinions and feedbacks.

For the seventh level of engagement, negotiate, evidence indicates none of the constituents were at this level. Furthermore, without limitation, two-way communications were introduced at involve level of engagement. 20 constituents engage with stakeholders in this level. Based on the Friedman and Miles model, there is no guarantee the stakeholders' opinions are fully accepted because this level indicates both organizations and stakeholders have equal power to voice out. Both organizations and stakeholders are open to sharing the information and have the power to influence the decisions. However, they may act differently and independently (AccountAbility, 2015). In this level, organizations may willingly engage with stakeholders over mutual issues. For instance, the employees involved in forums, be a

part of advisory panels, participatory decision-making process, and used online engagement tools to discuss corporate performance achievement and succession planning for achieving sustainability goals.

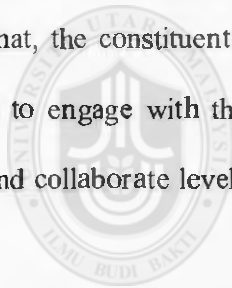
The higher level of engagement achieved by FTSE4Good Bursa Malaysia constituents is at collaborate level of engagement. The engagement has occurred via joint ventures, partnerships, and multi-stakeholder initiatives. 25 constituents have made collaboration with stakeholders in various types of activities from signing agreements for joint venture and partnership purpose to provide CSR programs as initiatives to help the needed communities. This level is beliefs overcome the weakness in involve level as it allows both parties to cooperate, act, learn and make decisions together (AccountAbility, 2015).

Overall, out of 10 levels of engagement provided by AA1000 model, the constituents of FTSE4Good Bursa Malaysia engaged with their key stakeholders at the pre-engagement activities such as remain passive, monitor, inform, and transact. The constituents also allowed for their stakeholders to freely voice out their feedbacks via consult, involve, and collaborate level of engagement. However, none of the constituents is at empower level or known as stakeholder power and citizen power level of engagement. It was surprising when the key stakeholders in the organizations have limited power or capabilities to make full decisions without influence by top management.

As explained before, this study highlights the extent of stakeholder engagement disclosure in the sustainability report of FTSE4Good Bursa Malaysia consist of 7

levels of engagement. Based on the engagement methods used, most the constituents are in consult level of engagement align with Cumming (2001), Greco et al., (2015), Kaur and Lodhia (2014) and Moratis and Brandt (2017) studies. Other than that, the finding also justified the constituents is at collaborate level of engagement that involved two-way or multiple-way communications. The evidence indicates the key stakeholders have been participating in a degree of tokenism and degree of involvement (Arnstein, 1969; Friedman & Miles, 2006).

Figure 4.5-1 shows levels and approaches to engagement in matrix figure that reveals most of the method used by the constituents are focusing on the medium level of engagement. It consists of negotiate, consult, transact, and inform level of engagement. Besides that, the constituents utilize the two-way and multiple-way communications technique to engage with the key stakeholders via long-term engagement including involve and collaborate level of engagement.



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		multi-stakeholder initiatives partnerships joint venture online engagement tools participatory decision- making processes advisory panels
	brochure bulletins cause-related marketing focus group grant making meeting with selected stakeholder public meeting reports speeches, conference, public presentation survey workshop	
letter media media and internet tracking website		
Low	Medium	High

Figure 4.4-1

FTSE4Good Bursa Malaysia Constituents Levels and Approaches of Engagement



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CHAPTER 5 CONCLUSION & RECOMMENDATIONS

5.1. Conclusions

This study responds to calls by Van Huijstee & Glasbergen (2008) and a few prior studies to examine the stakeholder engagement in corporate practices. Previous studies emphasize the importance of stakeholder engagement in the entire approach for sustainability reporting development (Kaur & Lodhia, 2014), the identification of salient stakeholder to recognize the appropriate engagement method used (Herremans et al., 2016), and the proper approach that can capture the views of stakeholders in sustainability report (Bellantuono et al., 2016). The findings of this study provide empirical evidence of FTES4Good Bursa Malaysia constituents' engagement with the stakeholders that reflected on the extent of stakeholder engagement disclosure in the sustainability reports.

The findings of the first research objective show different terms used for stakeholders engaged by the constituents. However, content analysis results by drawing upon on the study's theoretical perspectives indicate that the consumers, communities, employees, governments, investors, regulators, shareholders, and suppliers are the key stakeholders that have been engaged by the constituents.

For the second research question, the findings as presented in Table 4.4-2 highlight the broad range of media and approaches used by the constituents to engage with the stakeholders. Evidence indicates that the constituents used similar engagement methods to engage with the key stakeholders. Thus, this study analyses the relationship

between the methods used with the concerns and issues raised via stakeholder engagement. The engagement process has occurred between the constituents and its key stakeholders through engagement methods such as advisory, meetings, participatory in decision-making process, report, brochure, and cause-related marketing. Additionally, the constituents used media and internet tracking, forum, multi-stakeholder initiative, online engagement tool, survey, website, bulletin, focus group, grant-making, joint venture, partnership, speeches, conference, and presentations to engage with their key stakeholders.

This research had used stakeholder engagement model developed by AA1000 and Friedman and Miles Ladder of Participation to analyse the extent of stakeholder engagement. The evidence shows that the extent of stakeholder engagement of FTSE4Good Bursa Malaysia constituents is at remain passive, monitor, advocate, inform, transact, consult, involve, and collaborate level of engagement. Overall result shows the constituents engage with the key stakeholders at the consult and collaborate level of engagement. From the theoretical perspective, this implies the stakeholders have right and means to voice out and influence the company's decisions. However, there is no guarantee their voice and opinions will be considered or take into account for sustainability reporting development. It is, therefore, empower level of engagement is still not achieve among the key stakeholders.

The extent of stakeholder engagement disclosure in sustainability reporting of FTSE4Good Bursa Malaysia constituents is not fully meet the GRI standard requirements. Hence, misalignment or gap in reporting disclosure with reporting guidelines as discussed in Section 4.2 and Section 4.3 has been identified by

operationalizing the level of engagement model of AA1000 (2015). The constituents are expected to be transparent in their reporting but the finding of the first research question show there was lack of disclosure of GRI 25 indicators. Meanwhile, the findings for the second research question show that there were very few methods used by the constituents. The methods may enable the key stakeholders to engage substantively for example having their view or voice considered, free from the top management's influence, in shaping the organizations' agenda. For the third research question, evidence indicates that most of the FTSE4Good Bursa Malaysia constituents engage with their key stakeholders at a consult and collaborate level of engagement.

Based on the overall analyses of the sustainability report, some of the constituents shows inconsistency in their reporting practices while having certain constituent merely duplicates the older report. However, a few constituents have put an effort to report on stakeholder engagement in an appropriate manner whereby their reports have been used to obtain a clear understanding on the disclosure of stakeholder engagement in the sustainability report

5.2. Contributions

This study examines and evaluates the extent of stakeholder engagement disclosure in sustainability reporting of FTSE4Good Bursa Malaysia constituents. The findings may benefit researchers, practitioners, organizations both in private and public sector, and regulatory bodies. This study contributes in theoretical part via employed a more comprehensive of frameworks comprise of stakeholder theory, integrated stakeholders engagement index (that was developed in the study by adapting GRI G4 reporting guidelines and Kaur and Lodhia (2014) Index), and AA1000 model.

The comprehensive research framework, to a great extent, assists the study to evaluate the extent of stakeholder engagement of the organizations studied.

A thorough analysis of the key stakeholders and methods used for stakeholder engagement was reflected a high or low level of stakeholder engagement disclosures in the sustainability report of FTSE4Good Bursa Malaysia constituents. This finding may serve as the basis for future researchers with a better understanding of several phases in stakeholder engagement as discussed in Section 2.2.1. Besides that, the empirical findings of this study may provide additional and unique insights on stakeholder engagement and its disclosure field of study.

This study also contributes to the methodology part via evaluation of the latest IR and SR issued by FTSE4Good Bursa Malaysia constituents. Hence, the qualitative content analysis results was provided empirical evidence of a broad list of stakeholders and methods of engagement terms used. These empirical findings may be relevant and may become the interest of academicians and researchers to examine the stakeholder engagement disclosure in a more comprehensive way for further studies.

Other than that, this study contributes to the policy as it provides a new insight for practitioners in adoption the proper stakeholder engagement practices. This research assist practitioners in an organization to report the relevant information in the sustainability report through identifying the relevant issues and concerns that matter most to the stakeholder. Through identifying the relevant issues and using appropriate engagement methods, organizations also able to reduce the costs and minimize the resources. Thus, the quality feedback from the stakeholders would be received.

This study encourages for Malaysian PLCs to provide a more substantive stakeholder engagement that will reflect their credibility and accountability other than giving mutual benefits for both relationships between stakeholders and organizations. It is suggested for the regulatory bodies to make sure the PLCs authentically engage with their stakeholders rather than merely adhered to the reporting guidelines to fulfil the listing requirement.

5.3. Limitations & Recommendations for Future Studies

Several limitations of this study may provide opportunities for further studies. First, this research used the latest data that obtained from the publicly available documents of FTSE4Good Bursa Malaysia. The criteria was assumed as not be met if the relevant information as required by the GRI G4 stakeholder engagement criteria, was not included in the reports. Therefore, the future research is suggested to also use other methods such as interview, observation, and questionnaire. These suggested methods may enable future studies to obtain richer data from different sources that allow for an in-depth understanding of the stakeholder engagement practices in sustainability reporting development.

The second limitation, this research analysed the data gathered by using content analysis technique, whereby the evaluation of the sustainability reports was conducted by the researcher herself. It is recognized that the findings may be overstated or understated due to the presence of a level of subjectivity (Deegan & Soltys, 2007; Frost & Wilmshurst, 2000). For this reason, several models and stakeholder theory were used to guide the discussions and draw the conclusions in an attempt to minimise such

subjectivity. Further studies are suggested to specify the unit of analysis into smaller groups. Thus, the findings can be compared and interpret accurately.

Other than that, future researchers may use a quantitative method of research to generalize the findings for wide populations of PLCs or other private sectors. This method could be more meaningful by making a relation between the variables of stakeholder engagement with the quality of disclosure. As this research focuses on the publicly available documents for the years of 2015 and 2016, the findings may not adequately represent the practice of the studied organizations. It is also recommended for future studies to evaluate the stakeholder engagement disclosure in Malaysian SMEs because of previous research has been done in public sectors (Kaur & Lodhia, 2014; Midin et al., 2017).



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